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AGENCY SUPPORT COSTS

Report of the Expert Group

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PARTNERSHIP RECONSIDERED

REPORT OF THE EXPERT GROUP ON THE STUDY OF SUCCESSOR ARRANGEMENTS FOR SUPPORT COSTS AND RELATED ISSUES

LETTER OF TRANSMITTAL DATED 19 DECEMBER 1989 FROM THE EXPERT GROUP ON THE STUDY OF SUCCESSOR ARRANGEMENTS FOR SUPPORT COSTS AND RELATED ISSUES TO THE ADMINISTRATOR OF THE UNITED NATIONS DEVELOPMENT PROGRAMME

We have great pleasure in transmitting our report on successor arrangements and related issues connected with agency support costs.

We would like to take this opportunity to thank you and the Governing Council of the United Nations Development Programme for entrusting this onerous responsibility to us. The very broad mandate to look at "the tripartite relationship of recipient Governments, executing agencies and the United Nations Development Programme ... established over thirty years ago" was a daunting task. It was made more so as we were asked to examine it "in the light of present and future needs of developing countries". The Governing Council in its informal session in May 1989 and at its thirty-sixth session in June 1989 gave us broad direction and food for thought. So did the Economic and Social Council in its annual session in July 1989. We took up the challenge and consider ourselves greatly enriched and sobered at the end of our nine months of investigations. It has been a demanding exercise but at the same time a very rewarding experience for us.

The Group has succeeded in making the report available in time for the special session of the Governing Council in February 1990. A decision on support-cost arrangement prior to the commencement of the fifth programme cycle, in our view, is both feasible and desirable.

The four of us came from different backgrounds and had different levels of interaction with the United Nations system in particular, and the development enterprise in general. We had to immerse ourselves in the ambience and traditions of the United Nations system and also become acquainted with the diverse ways in which the numerous organizations of the international public sector operate. Above all, we had the difficult task of placing ourselves on the same wave length, maintaining, however, our separate nuances. This was greatly facilitated by the field visits to recipient countries and the interaction with the agencies of the United Nations system.

The Steering Committee in UNDP and the Agency Task Force deserve our sincere gratitude for helping us to clarify ideas, receive views and obtain information. One person whose assistance and guidance we want to remember gratefully is Mr. George Arthur Brown, former Associate Administrator of UNDP. We acknowledge the ungrudging help we received from the staff of UNDP, the Office of the Director-General for International Economic Co-operation and programmes and agencies of the United Nations system. We contacted them unhesitatingly and freely for information, studies, views and explanations and we received prompt responses. We are grateful for the willing co-operation from all. We were impressed by the keen interest which the various organizations of the system displayed in the study. We met with a number of agency and programme heads who took time to exchange views with us. Some organizations carried out special studies for the exercise. The chairman of the UNDP Steering Committee for the support cost study,

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Mr. G. Arthur Brown, and the Chairman of the Inter-Agency Task Force, Mr. Horst Wiesebach, spared a great deal of time for this exercise, which we would like to specially acknowledge.

In the field and in the agencies we were impressed by both the hospitality and business-like approach to the use of the limited time we could devote to field and agency visits. We express our deep gratitude to Governments who received us mostly at short notice. We are grateful to our hosts, especially the Resident Representatives and their staff, including the Geneva office of UNDP, for organizing our visits and meeting our heavy demands. We would like to acknowledge the patience of the agencies in responding to our diverse and unending requests for information and especially for bearing with our provocative questions. We truly experienced the partnership spirit and we seek to promote it. We would like this partnership to take a new direction, we propose a new equation which will not focus simply on project execution.

Above all, we would like to record our sincerest appreciation for the excellent support we received from the Support Cost Secretariat. It was practically a one-man show and Mr. Abebe Ambatchew has become a lifetime friend and partner of all four of us. Besides competently looking after the direction of the secretariat, he gave us wise counsel and valuable information throughout. The papers and documentation provided by the UNDP and compiled and organized by the secretariat were of outstanding quality. In the early days of the study, Mr. R. H. Khandaker, as a staff member of the secretariat, did some creditable desk studies from which we benefited very much. Our hectic programme of visits and tight work schedule could not have been completed on time without the strong support and hard work put in by Mrs. Anne Marie Diabate, the Administrative Assistant, Ms. Anne Marie Villaret, Ms. Victoria Hoyte and Ms. Margarete Catalano. The staff members of the secretariat considered each assignment as a mission and completed it with dedication and interest for which we pay them high tribute. Mr. A. Groenendyk completed a study on cost-measurement system which helped us greatly in appreciating the issue of accountability in the tripartite system. Our special thanks also go to Mr. James Lee for his generous help in editing the report.

We chose not to provide an executive summary. Instead, we summarized the conclusions and recommendations in a separate chapter grouped around tasks assigned to us by the Governing Council. As for the support-cost arrangement, we would like our readers to study the various options detailed in chapter VII. We have discussed seven options, only three of which have received our support. We believe that the options recommended or a combination of some of their elements will meet the concerns of all partners in the tripartite relationship.

A word of caution in conclusion is warranted. Support cost is generally treated as a technical subject not demanding wide-spread attention. We have felt that greater attention should be paid to support-cost arrangement as it influences so importantly the delivery of technical assistance inputs. In order for an

awakened interest, it is all the more important that an early decision is taken before the message of the report is lost in bureaucratic maze.

Signed:

William E. Armstrong

Christoph Beringer

Abul Maal A. Muhith

Gerben Ringnalda

FOREWORD

Why should the issue of support cost be discussed anew? This was a question asked with some desperation time and again. The answer by now should be obvious. The present arrangement was introduced when technical assistance was in its infancy. Since then the world has changed considerably and with it the character of technical co-operation as well as the relationships between the partners.

The Jansson Report (1987) focused on these changing patterns in operational activities. It stressed the need to give serious consideration to the form these activities should take by the turn of the century.

The United Nations Development Programme initiated an exercise on its future role in 1988, inspiring similar exercises in the United Nations family. After 40 years of experience in the field of technical co-operation and in the context of the sobering development perspectives of the 1980s, the United Nations system is trying to rediscover its bearings. The global community seems to be interested in taking stock of the situation in order to chart the future course of action. That is what this report is all about.

Fortunately, the mandate given to the Expert Group envisaged a comprehensive study of the various needs for technical co-operation as well as the interrelationship between Governments, United Nations specialized agencies and the United Nations Development Programme in meeting these needs speedily and efficiently. Thus, the support-cost successor arrangement per se is not the centre piece of this report. Rather, the major concern of the report rather is the new relationship of the three partners in the 1990s and beyond, and the role of support-cost arrangements in cementing and fostering this relationship.

We felt strongly that we should first of all visit Governments - recipients and donors alike - to find out what they expected from the United Nations system as providers of technical assistance. The answers received confirmed our own feeling that the importance of the United Nations system went far beyond its role as an actor in operational activities. Its neutrality, objectivity and universality are greatly valued by the developing countries. Sometimes the donors also want to check the validity of their approach with reference to activities of the United Nations system.

Strengthening the United Nations system and redefining the partnership principle, therefore, are among the primary objectives of this report.

The report goes into a fair amount of detail as to how this strengthening should be brought about. Improvements in efficiency and cost-effectiveness should be actively pursued. Timeliness and speed of operations should be more vigorously emphasized. Informatics have revolutionized the speed, quality and cost of knowledge transfer. New sources of knowledge and expertise outside the United Nations family are both abundant and excellent. New management practices and unorthodox institutional models have gained currency. Nowadays, numerous new opportunities present themselves and the United Nations system must grasp them with alacrity and boldness. Changes are needed not only in systems and procedures but

also in the orientation of the United Nations system. Leadership in the United Nations system must overcome all bureaucratic resistance to change. Caution is desirable but it should not be an excuse for inaction.

The question was often put to the Group by recipient Governments: Why are we not allowed to make mistakes? Why indeed are recipient Governments subjected to a bewildering set of rules and regulations? Do they really prevent them from taking false steps? Or do they only slow down the development process and make it more costly? We became convinced that learning by doing is a much wiser mode of operation than strangling the development process in a web of strict rules and procedures. We have, therefore, strongly advocated a programme approach to the delivery of technical assistance, decentralization to the field and rapid promotion of national execution.

The new relationship that we envisage for the three partners follows from our appreciation of the development realities as pointed out in the previous two paragraphs. The relationship should focus on provision of support service to Governments in need of technical co-operation. Technical co-operation input, however, can come from many sources, including indigenous ones, and there should be no inherent preemptive right of any agency in its delivery. The relationship should flower in the light of the perceptions of Governments about the value of the United Nations system. This perception should be sustained by the agencies who should focus on selected fields for in-house capability and enhance their role as exchange centres for information in other fields.

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I. THE TASK OF THE EXPERT GROUP

A. Terms of reference of the Expert Group

1. General Assembly resolution 42/196 of 11 December 1987 "invites the Governing Council of the United Nations Development Programme, given the expiry in 1991 of current arrangements for project support cost, to begin considering successor arrangements designed to ensure enhanced project quality and maximum cost-effectiveness, with a view, inter alia, to ensuring the full utilization of technical and managerial capacities at all stages of the project cycle." The United Nations Development Programme established in February 1989 an Expert Group composed of four members in compliance with this invitation.

2. In its decision 88/50 of 1 July 1988 (see annex I), the Governing Council specifically requested the Expert Group to make proposals on:

(a) The best way for UNDP to deliver technical co- operation taking into account the capacity of the United Nations system and new modalities for technical co-operation;

(b) The manner in which Governments, executing agencies, and UNDP participate in the delivery of technical co-operation;

(c) Alternative arrangements between Governments, UNDP, and executing agencies in the execution of UNDP-funded projects and programmes;

(d) Appropriate compensation arrangements to Governments, agencies, and other providers of services for UNDP-funded projects ensuring that such arrangements enhance accountability, project quality and maximum cost-effectiveness.

3. The scope of the study outlining a timetable, costs, and a proposed work programme is contained in document DP/1989/6.

4. The above terms of reference entrust a very broad mandate to the Expert Group. The task of recommending a successor arrangement to the existing support cost compensation system, which expires in 1991, is a specific and major assignment. The expiry of the existing arrangement was, however, not the only reason for launching the study. The Expert Group was requested to look at the whole question of the relationship between UNDP, the agencies and the Governments, as well as to recommend the best ways by which technical assistance can be delivered, and cost-effectiveness, project quality and accountability can be enhanced.

5. In their deliberations, the members of the Governing Council have further urged that the study should examine how the delivery of technical assistance can be "needs-based" and that it should take full account of the evolution of operational activities. The Expert Group was further urged not to suggest either a negotiated successor arrangement or a single recommendation, but rather to provide options to enable the Governing Council to reach decisions on future successor arrangements.

The report of the Group paid attention to the major issues, without neglecting important but secondary issues that the terms of reference encompass directly or by implication.

B. Approach and organization of the work of the Expert Group

6. Three members of the Expert Group assembled in New York on 3 April 1989 and were joined by a fourth member on 11 April. April and the first part of May were devoted to the preparation of a work plan, the review of available documentation, the determination of information needs and discussions with United Nations organizations and Governments represented in New York. The members of the Group have made efforts to review the many General Assembly and Governing Council decisions dealing with the broad areas covered by their terms of reference. Members cannot, however, exclude the possibility that there might be some resolutions and considerations which they did not take into account. During this period, visits were made to Washington and Canada, where discussions were held with the donor Governments and with the World Bank in Washington and the International Civil Aviation Organization (ICAO) in Montreal.

7. The first set of consultations was held with the UNDP Steering Committee on the Study of Support Cost Successor Arrangements and the Inter-Agency Task Force on the Support Cost Study. These two ad hoc bodies were established to facilitate the collection of information from their respective institutions and to serve as focal points for dialogue with UNDP and the specialized agencies. Extensive consultations were also held with:

(a) Representatives of the Group of Western Donors;

(b) Representatives of East European countries;

(c) Representatives of recipient Governments represented in the UNDP Governing Council;

(d) The Department of Technical Co-operation for Development (DTCD);

(e) The Office of the Director-General for Development and International Economic Co-operation;

(f) United Nations Population Fund (UNFPA);

(g) United Nations Children's Fund (UNICEF).

8. These early meetings were designed to ensure a clear understanding of the terms of reference and to consult the various groups on the plan of work for the study. The members were particularly interested in obtaining views on their selection of countries to be visited. In general, they wanted to hear what the various partners expected from the study and to establish channels of communications.

C. Visits and consultations

9. It was agreed to visit most, if not all, of the selected recipient countries, Regional Economic Commissions, and United Nations field offices before consultations with the specialized agencies. An initial list of twelve countries was increased to seventeen in response to suggestions both by donor and recipient Governments. UNDP field offices in three capitals of recipient countries with a regional commission base were also visited. Six donor countries were also covered in bilateral discussions in their capitals.

10. Every effort was made to select a representative sample of countries reflecting the major features of the countries served by the United Nations system. Special account was therefore taken of:

(a) Regional diversity: countries from all the regions were selected, although the number varied from region to region;

(b) Economic status: diversity in development problems and needs were considered, i.e., least developed countries (LDCs), middle-income countries, land-locked countries, and countries with emergency relief problems;

(c) Variance in the size of programmes supported by the United Nations system;

(d) Diversity in the extent to which different execution modalities are used.

11. All UNDP field offices were informed of the exercise and their full co-operation solicited. Preceding each visit to a selected country, standard sets of questions and lists of issues were sent to Resident Co-ordinators and Governments. These covered major areas of concern, ranging from the role of the system and the partnership concept to more mundane and practical problems, such as the sharing of premises. The role of the Resident Co-ordinators and field aid co-ordination, backstopping, coherence and co-operation within the system, programme quality and support costs were highlighted in the questions. These communications were intended to alert the field offices and recipient Governments to the nature of the questions which the members of the Expert Group wished to discuss.

12. In addition to meetings with the specific government ministry or department in the recipient countries dealing with foreign aid, especially aid from the United Nations system, it was intended that discussions would also be held with sectoral ministries and agencies that are major users of United Nations system assistance. The field offices were also requested to include visits to projects, meetings with non-governmental organizations (NGOs), representatives of United Nations organizations, and representatives of donors stationed locally.

13. Similarly, questionnaires were sent to agency headquarters to obtain data and information and to enable them to assess the nature of co-operation and the relationship between them, Governments and UNDP. The questions were designed to assist the Group in the evaluation and determination of the state of overall co-operation and cohesiveness in the system and to obtain a clearer understanding of how the partnership concept is perceived and applied. Written responses to the

questions were received, which in some cases served as an initial basis for discussions during the visits to the agencies. These questions addressed to agencies were also shared with field representatives of agencies during the visits to recipient countries.

14. Discussions with a total of over twenty-five United Nations organizations and programmes were held. Members of the Group visited the organizations either as a team or in smaller groups. Apart from studies by the Secretariat on specific aspects, the Group retained a consultant to look at cost-measurement practices within the United Nations system.

15. Special attention was paid to relevant studies and reports prepared by the Office of the Director-General for Development and International Economic Co-operation, such as the study on central funding and papers prepared for the triennial reports on technical co-operation, the report of the independent expert team on the scope and content of the operational budget of the United Nations Industrial Development Organization (UNIDO) and its relationship to the regular budget, and Joint Inspection Unit (JIU) reports.

16. Four meetings were held with groups of donors in New York, Copenhagen and Vienna. It was felt that communication through these groupings, augmented by bilateral discussions with donor Governments in countries where organizations of United Nations headquarters were located, would ensure sufficient exchanges. In the case of the latter, bilateral consultations were also held with the Governments of Austria, France, Italy, the United Kingdom, and Switzerland, which all host headquarters of organizations of the United Nations. The members of the Group also held discussions with the Governments of Denmark, the Federal Republic of Germany and Japan in response to specific requests (see annex 2).

17. Advantage was taken of several opportunities to consult donor Governments, the Inter-Agency Task Force on Support Costs, and other groupings, in conjunction with Governing Council sessions and other meetings held in New York, Copenhagen, and Vienna. The consultation process was a continuous feature that was sustained until the finalization of the report.

D. Organization of the report

18. The report consists of eight chapters. Chapter II presents patterns of development and their implications for the future of the United Nations system. It discusses different stages of development, the evolution of the development partnership and the changing roles of UNDP and the United Nations organizations. Chapter III presents the findings of the Group from field visits and discussions with Governments and agencies. Programming and execution modalities, future tripartite system, accountability in the tripartite system, and support-cost successor arrangements are discussed in chapters IV, V, VI, and VII respectively. A report on cost measurement of operational activities is annexed. A synthesis of conclusions and recommendations is presented in chapter VIII. These are grouped around the tasks assigned in the terms of reference of the Group.

II. CHANGING PATTERNS OF DEVELOPMENT AND THEIR IMPLICATIONS FOR THE FUTURE

19. Over the past quarter of a century, the United Nations system and the developing world have undergone important changes that will significantly affect the way in which the United Nations system can best provide technical assistance in the future. The subtle change of terminology from "technical assistance" to "technical co-operation" as the most appropriate description of the system's operational activities reflects not only the changing needs of the developing world but also the relationship among the partners in meeting those needs. The present chapter focuses on some relevant aspects in this evolution in the developing world, where growth patterns and needs have become increasingly differentiated, and in the United Nations system, where the internal relationships and the respective roles of UNDP and the agencies have undergone considerable modifications since the time of the Study of the Capacity of the United Nations Development System (DP/5; also known as the "Capacity Study" and "the Jackson Report") and the Consensus resolution [2688 (xxv)].

A. Differences in the stages of development

20. Various reviews have become available in recent years which analyse the changes in development patterns that have taken place over the past quarter of a century. These studies have revealed highly significant trends with a direct bearing on future needs for development assistance in general and for technical co-operation in particular.

21. The rates of growth of per capita gross national product (GNP) illustrate that the disparities between the developing regions are widening considerably (see table II.1).

22. The East Asian countries and, increasingly, those of South Asia, have enjoyed rising rates of growth in per capita GNP. This is not the case for sub-Saharan Africa, nor has it been the case for the Latin American and Caribbean region for most of this decade. Whereas in sub-Saharan Africa, the poor performance of the agricultural sector largely explains the prevailing trend, the situation in the Latin American and Caribbean countries appears to be more closely related to the extremely high rates of inflation (an average of 530 per cent in 1988), the high levels of debt service and their impact on foreign exchange availability, investment and per capita output. 1/

23. The picture in the social sectors is at least in some respects more positive than that which emerges from the purely economic (GNP) growth indices. As the 1985 DAC Chairman Report points out, "even some countries with slow or erratic economic growth have achieved significant improvements in life expectancy, child mortality and education". 2/ Trends in adult literacy and primary school enrolment as shown in table II.2 present a particularly encouraging picture. Similar trends exist with respect to secondary education, especially at the post-secondary level.

Table II.1. 1980 population and per capita GNP and growth rates, 1965-1988

Region	Population (millions)	Per capita (US dollars)	Average annual growth of GNP per capita (%) 1965-1973	1973-1980	1980-1985	1986	1987	1988 a/
Sub-Saharan Africa	356	560	3.1	0.5	-3.7	0.8	-4.4	-0.2
East Asia	1 362	420	5.1	4.6	6.4	5.8	6.8	9.3
South Asia	923	240	1.4	2.0	2.9	2.2	0.9	5.6
Europe, Middle East and North Africa b/	338	1 730	6.0	2.4	0.0	1.0	-0.2	0.1
Latin America and the Caribbean	347	2 010	4.1	2.5	-2.2	1.8	1.9	-0.9

Source: 1989 World Development Report, Table A-2, p. 146.

a/ Preliminary.

b/ Figures after 1980 exclude Iran (Islamic Republic of) and Iraq.

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Table II.2. Trends in selected human development indicators, 1965-1986

Country grouping	Per capita GNP			Life expectancy (years)			Adult literacy (percentage)			Primary enrollment ratio (percentage)		
	1965	1976	1987	1960	1975	1988	1960	1974	1985-1988	1960	1975	1985-1987
Very low income	95	272	285	44	55	61	23	32	55	38	61	64
Low income	127	368	603	47	54	60	47	59	70	76	82	75
Middle income	394	1 301	1 959	55	62	67	61	72	80	85	100	85
High income	.. a/	5 130	14 204	69	71	74	96	98	96	100	101	96

Source: UNDP, internal research project on human development.

a/ Not available.

24. These developments are a great tribute to what has been achieved over the years by developing countries in co-operation with bilateral and multilateral donors. They signify that the level of sophistication and critical judgement which can be found today in countries at all stages of development, in their government departments, universities and in the private sector is considerably above the levels which prevailed when the technical assistance process first started some 40 years ago. However, they also pose a challenge for future technical co-operation in the sense that the level and specialized focus required will become increasingly higher.

B. Major development concerns

25. These improvements are only a part of the picture. Equally significant are a few issues which are of serious concern to the development community and appear likely to dominate the scenario in the coming decade. Indicators developed in an ongoing UNDP research project regarding access to safe water and sanitation, the number of malnourished children and population below the poverty line generally show a deteriorating situation, albeit caused by population pressure and the extremely high rate of urbanization which prevails in many developing countries. The pervasive nature of poverty in some countries poses a major challenge for development policy and management. Creating employment opportunities, increasing food production and ensuring food security, providing basic facilities for shelter, health care and education and protecting the most vulnerable sections of society against natural calamities or man-made difficulties are some of the targeted actions that are already receiving attention but that will require even more attention in the years to come.

26. Urban growth is a subject of special concern. Even among the low-income countries, city populations have been growing at an annual rate in excess of 7 per cent and, in one or two cases, at around 10 per cent. Accelerated urban growth presents formidable challenges that require a rapid expansion of physical infrastructure, security of food supply in the face of changing food habits, the provision of social infrastructure such as health care and education facilities and, above all, the creation of employment opportunities. The capital cost of urban development is particularly prohibitive at the present time of capital shortage.

27. More generally, population pressure continues to be a source of persistent concern and causes great anxiety about its long-term implications for growth and stability. While mortality rates have decreased rapidly, there has been no concomitant decline in birth rates and net population growth rates are at historically high levels in many countries. This is contributing directly to environmental degradation in addition to creating a nearly insoluble unemployment crisis.

28. Issues of economic management, the need to provide a macro-economic policy environment which is conducive to balanced economic growth, removing sectoral imbalances and obtaining the best return from scarce capital resources, have assumed crucial importance. Attacking structural weaknesses such as discrimination

against exports or the limited size of markets (as in many African countries and in some other regions), managing a price policy that allocates resources optimally, improving administrative efficiency to respond promptly to a rapidly changing interdependent world economy, or strengthening the capacity for project development and implementation have become matters of grave concern. Structural adjustment measures are likely to continue to dominate a large number of economies in the coming years.

29. The management of national budgets and credit policy is demanding much greater attention and increased levels of competence. Countries affected by high indebtedness or suffering from reduced commodity export earnings are finding it difficult to control budget deficits or to adopt moderate austerity measures. As shown in the World Bank's 1989 World Development Report, central government budget deficits increased significantly, particularly in the middle-income economies and in the 17 most highly indebted countries, where budget deficits rose on average from 2.7 per cent to 9.2 per cent of GNP between 1972 and 1987. Even if the underlying data are not comparable in all cases, they reflect a generally much greater fiscal stringency, which in turn explains the difficulties faced by many Governments in providing counterpart support for foreign-aided projects and the general decline in investment levels in most countries.

30. Structural adjustment will be a continuing requirement in the foreseeable future; it will not be an easy process. However, adjustment measures cannot ignore the demands for essential social services which Governments must provide. The significant decline in the percentage share of total central government expenditure devoted to the social sectors, education, health, housing amenities, social security and welfare, which is highlighted in table II.3, reflects a disturbing world-wide trend. The United Nations system has an important role to play in assisting Governments in their analysis of the social implications of structural adjustment and in devising ways of mitigating undesirable effects.

31. These new realities and current concerns call for a sharpening of the focus, if not a change, in the role of technical co-operation. Human resource development remains the overall objective of technical co-operation. There is a need for greater emphasis on building institutions and capacities for handling specific tasks such as the alleviation of poverty or economic management. The basic concern is to promote self-reliance in the developing countries to meet future challenges and mitigate the negative impact of some of the economic malaise, which has affected a growing number of countries during the 1980s.

32. The analysis presented above, which uses macro-economic and social indicators, is necessarily limited and selective. It underscores, nevertheless, that a more varied approach to technical co-operation and its modalities is likely to evolve in the 1990s and beyond. It also clearly conveys the message that all initiatives for progress and change must be supported by a favourable policy environment which only developing countries themselves can create.

Table II.3. Central government expenditure as a percentage of total expenditure, 1972-1987

Country grouping	Education		Health		Housing amenities, social security and welfare	
	1972	1987	1972	1987	1972	1987
Low income (excl. India and China)	20.2	n.a.	5.4	3.4	n.a.	5.4
Middle income	12.0	11.6	6.3	5.1	20.7	18.9
Low- and middle-income sub-Saharan Africa	12.2	10.4	5.9	4.6	18.1	16.6
17 highly indebted countries	14.4	9.6	8.4	5.9	29.6	23.8

Source: 1989 World Development Report, Table 11, pp. 184-185.

C. Evolution of the development concept

33. Post-war economic thinking placed great emphasis on multilateral action and centered on the reconstruction of the war-torn economies and the maintenance of full employment. Free capital flow and free trade between countries were the cornerstones of the post-war international economic relations. These tasks were assigned to the International Bank for Reconstruction and Development (IBRD) and the International Monetary Fund (IMF) and the aborted International Trade Organization (ITO), which was substituted by the weaker mechanism of the General Agreement on Tariffs and Trade (GATT). Other intergovernmental organizations such as the International Telecommunication Union (ITU), the International Civil Aviation Organization (ICAO) and the International Labour Organisation (ILO) were entrusted with the exchange and collection of information, international standard-setting and research and analysis worthy of centres of excellence in their specific sectoral speciality. Some of them (e.g., the World Health Organization (WHO) or FAO were expected to provide technical assistance to countries in need of support. The United Nations had the overall responsibility of enhancing social and economic progress by providing policy guidance, co-ordinating the activities of sectoral agencies and promoting such agencies as necessary.

34. The first initiatives of the Bretton Woods Institutions and the United Nations in reconstruction efforts were soon overtaken by the Marshall Plan, which rapidly converted the rehabilitated economies into growth centres of global output. Multinational corporations started facilitating the easy flow of capital between developed countries.

35. Soon after new nations emerged out of colonialism, the economic development of underdeveloped countries moved to the centre stage. The development of the newly emerging countries, however, called for a different approach. There was not much productive capacity to be rehabilitated; it had to be created. Capital infusion and that of soft funds became necessary in great measure. Above all, institutional and human resource development required special attention and long-term commitment.

36. The transfer, adaptation, mobilization and utilization of skills and technology in the developing countries were considered to be activities which should be financed by grant funds. Bilateral aid and the United Nations system became the providers of technical assistance. The Expanded Programme of Technical Assistance (EPTA), established in 1949 and the United Nations Special Fund created in 1958 were intended to meet the growing needs of technical assistance. Almost all the programmes and agencies of the United Nations system were involved in the provision of technical assistance. The capital needs of the developing countries, on the other hand, were to be met by loans from the World Bank and bilateral loans or export credits. With the establishment of the International Development Association (IDA) in 1960, soft funds for capital needs became available to the developing countries from multilateral financial institutions such as the World Bank and other regional development banks.

37. Towards the later part of the 1960s, it was time to take a fresh look at the development enterprise and to gear up for a new thrust in efforts. The Development Decade Strategy, starting in the 1960s, and, later, the Commission on International Development highlighted the broad concept of a development partnership between donors and recipients. At the same time, the Capacity Study expounded the concept of partnership and coherence in the United Nations system in the delivery of technical assistance to developing countries.

D. The Capacity Study and the search for coherence and partnership in the United Nations system

38. Several basic notions underlie both the Capacity Study and the Consensus resolution. They relate mainly to the United Nations development co-operation cycle as the conceptual framework and to the partnership between UNDP, Governments and agencies of the United Nations system for translating it into practice. The development co-operation cycle in turn consists of several integrated elements: country and intercountry programming; the notion of the indicative planning figure (IPF); a list of projects detailing the country programme; and the various steps in the project cycle, including impact evaluation.

39. Programme implementation is built around the central notion of UNDP/agency partnership. The Government decides the priorities and objectives of the country programme and exercises overall responsibility for project management. UNDP assists the Government in programme development and management, provides leadership both at headquarters and at the country level for the efforts of the United Nations system and carries full responsibility for the proper utilization of the available funds. The organizations of the system, on the other hand, have the role of technical counsellors, providing advice to UNDP in the implementation of all projects,

whether executed by them or not. In turn, they are expected to have first consideration as executing agents, subject to the agreement of the recipient Governments concerned.

40. While the Consensus resolution is limited in the amount of detail it provides on the roles of the three partners, the Capacity Study elaborated these aspects in greater detail (see chap. 7 of the Jackson Study). The role of the agencies was not limited to project execution alone; they were to function as the main source of UNDP's technical and sectoral advice in the country programming phase, in the formulation and selection of projects, and in the technical assessment of country and other programmes. The functions of the agencies were seen in a threefold framework; constitutional, contractual and consultative.

41. The Capacity Study envisaged the programming process as comprising essentially the assessment of the socio-economic status of a country; the identification of development objectives and the required strategy; the determination of the roles of external aid and of the United Nations system and its inputs; and, finally, a listing of projects through which the country programme would be implemented. The participation of the partners in the programming process at all stages constituted the main focus of involvement, as distinct from project work.

42. In practice, however, the participation of the agencies in the programming process remained limited, confined largely to project work (i.e., the identification, preparation, execution and, to some extent, the evaluation of projects). Thus, the purely contractual aspects grew to be more prominent and the role of the agencies in sector analysis and policy advice relating to their areas of expertise became marginal.

43. It is also true, as pointed out in a recent report on programming, that leadership and co-ordination, 3/ both in the field and at headquarters, originally envisaged as the centerpieces of the UNDP mandate, could be performed with authority and credibility by UNDP only so long as the bulk of the available technical assistance funding was also under its direct control.

44. In the early 1970s, UNDP was indeed the central fund. Non-UNDP extra-budgetary resources and regular programme resources provided for technical assistance were of minor importance in most of the agencies (with the exception of WHO). In the largest agency, FAO, it came to only 14 per cent of UNDP delivery; similarly for ILO - 13.6 per cent, UNESCO - 9.3 per cent. However, the picture changed rapidly in subsequent years. Donors began to see the agencies as valuable instruments for multi-bi projects and regular programme resources devoted to technical co-operation also increased substantially. By 1980, these two funding sources already provided 72 per cent of the amount delivered under UNDP core resources and by 1987 the balance had tipped even further: regular budgets and other agency extra-budgetary sources exceeded the volume of UNDP delivery by 16 per cent.

45. The growing importance of these funding sources made it increasingly difficult and frustrating for UNDP and its resident representatives to draw up a coherent United Nations system country programme. While it is true that not all resources

channelled directly through the agencies are programmable in the same sense as the UNDP core funds, it is equally true that agencies were frequently reluctant to have these allocations shown as a part of the UNDP country programme. The related concept of the country programming process as a frame of reference for all United Nations system resources was never fully understood nor implemented in any appreciable way.

E. Evolution of the partnership and the changing roles of UNDP and the agencies

46. The last two decades have seen an increasing detachment between UNDP and the agencies. The growth of extra-budgetary resources at the disposal of the agencies made some of them considerably more independent of UNDP. This growth was partly the result of donor preferences and partly the result of agency endeavour. The wide swings in the availability of UNDP resources certainly induced the agencies to seek other resources to maintain a stable level of operational activities. The increase in direct execution by UNDP and the growth in government execution as a new modality may have also led agencies to insulate themselves against reduction in resource availability. As can be observed from table II.4, the relative importance of agencies as executing agents for UNDP core funds has declined as new modalities, e.g., the Office for Projects Services (OPS) and government execution, have carved out shares for themselves. Over the period 1978 to 1988, the share of agency execution (including that of the World Bank) has declined from 90.6 per cent to 78.8 per cent, a trend which is likely to continue and possibly accelerate as government execution expands.

47. The UNDP liquidity crisis of 1975 to 1976, which followed a rapid expansion of pledged core resources in the preceding years and the virtual stagnation in pledges between 1981 and 1985 (expressed in current US dollars) also had significant effects on delivery patterns in the system. During the current decade, project expenditures first expanded rapidly, reaching a peak in 1981, to be followed by a 28 per cent decline over the subsequent three-year period. Only in 1988 did the delivery level regain that of 1981 in nominal terms (see table II.5 and the attached chart).

48. The effects on support cost income of fluctuations in UNDP delivery and the cushioning effect of trust funds become apparent from data taken from the FAO biennial reviews of field programmes, which date back continuously to 1970. The information is not untypical of what happened in the system as a whole. Particularly from 1981 onwards, when UNDP support-cost income dropped sharply, trust fund support-cost income rose without interruption (see table II.6).

49. The emphasis on project work as the major focus of the relationship between UNDP and the agencies also weakened the partnership. UNDP concentrated increasingly on efficiency comparisons between potential executing agents. Within UNDP, there was a growing perception that agencies tended to be slow in implementation, had a tendency to stick to traditional staffing and delivery patterns and were generally reluctant to explore new avenues, including the identification of expertise outside the system. The growth of new executing

Table II.4. United Nations Development Programme: project expenditures, 1979-1988 a/

(Millions of US dollars)

	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988
Government execution	7.2	7.8	10.3	16.4	14.6	18.3	24.3	41.1	66.9	94.7
Share in total expenditure (%)	1.3	1.2	1.4	2.5	2.6	3.4	4.3	6.1	9.7	11.5
UNDP (OPS)	44.0	53.8	52.4	46.8	37.8	35.7	41.9	57.4	63.7	79.3
Share in total (%)	8.1	8.0	7.2	7.2	6.8	6.8	7.4	8.4	9.2	9.6
Agencies	491.7	608.2	659.5	588.4	501.4	473.5	498.2	583.2	562.0	647.8
Share in total (%)	90.6	90.8	91.3	90.3	90.5	89.8	88.3	85.5	81.1	78.8
Total	542.9 (100)	669.8 (100)	722.2 (99.9)	651.6 (100)	553.8 (99.9)	527.5 (100)	564.4 (100)	681.7 (100)	692.6 (100.7)	821.8 (99.9)

Source: Document DP/1989/18/Add.1.

a/ Data cover expenditures financed under IPF, Special Programme Resources, Special Measures Fund for the Least Developed Countries, Special Industrial Services and cost-sharing.

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Table II.5. Voluntary contributions to UNDP core resources and project expenditures, 1972-1989

(Millions of US dollars)

	1972	1973	1974	1975	1976	1977	1988	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989
Voluntary contributions	278.72	325.77	339.07	435.85	486.71	525.37	595.16	679.92	693.51	690.00	679.94	697.84	651.21	658.92	785.32	880.66	931.04	831.38
Project expenditures a/	.. b/	271.2	285.9	419.7	393.9	332.1	429.2	542.9	669.8	721.8	652.0	553.8	527.5	564.4	681.7	692.3	822.7	.. b/

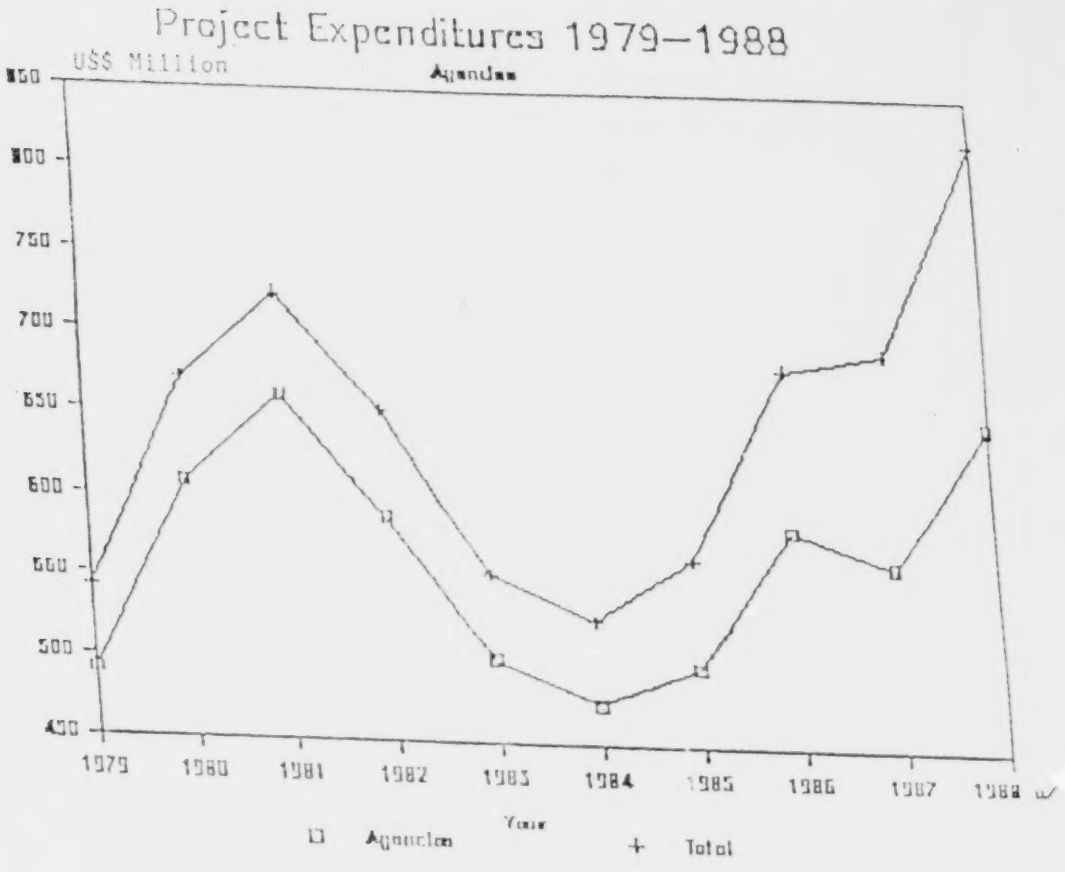
Source: Bureau for Programme Policy and Evaluation, UNDP.

Note: These are actual figures and differ from figures in table III.9.

a/ Data cover expenditures financed under UNDP/IPF, SPR, LDC, SIS and cost-sharing.

b/ Not available.

CHART



Source: DP/1989/13/Add.1, p. 6.

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Table II.6. Yearly expenditures on FAO field programmes, by programme and programme category, 1970-1988

(Millions of US dollars)

Field programme expenditures	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987a/	1988a/
FAO/UNDP Programme	69.6	85.8	85.1	78.8	78.4	119.7	115.2	88.4	111.2	131.5	167.1	182.5	141.1	116.5	109.2	115.9	128.8	128.4	155.0
Trust fund technical assistance	10.0	11.1	12.4	20.4	33.5	100.2	78.2	61.8	65.8	76.3	98.9	120.1	119.7	120.3	139.6	147.6	151.2	147.9	159.6
Support cost income																			
UNDP	8.9	9.6	10.9	10.5	12.3	16.9	16.2	12.4	15.4	18.2	22.6	25.0	19.8	16.0	15.1	16.0	17.9	18.7	20.2
Trust funds	1.2	1.3	1.7	1.8	2.4	3.7	4.4	4.7	5.4	6.6	8.0	9.1	9.9	10.4	12.3	13.7	14.1	14.1	15.4

Source: Table 1, FAO Review of Field Programmes 1986-1987.

a/ Obtained from FAO.

agents, such as consultancy firms, research and training institutes and NGOs encouraged UNDP to find ways to use their expertise. Direct execution by UNDP as well as government execution evolved as new modalities. Speed of delivery, use of other resources, especially indigenous resources, and a desire on the part of UNDP to exercise closer control over execution were some of the factors that contributed to the changing role of UNDP.

50. The growing detachment of UNDP manifested itself in other ways also, particularly in connection with several of the new funding modalities and other initiatives which emerged. UNDP started administering various trust funds created by donors to meet specific development objectives of countries. There was also a marked expansion within UNDP of UNDP-administered funds. Annual expenditures under the UNDP-administered funds more than tripled between 1980 and 1987, from an initial volume of $31.4 million in 1980 to $96.4 million in 1987. The agencies have not played any significant role in the execution of projects under these funds; direct execution by UNDP has generally been the practice. The UNDP share of total United Nations system grant assistance, including UNDP-administered funds, declined from 33.4 per cent to 28.4 per cent between 1980 and 1987. This decline is even more pronounced for UNDP core resources: in 1987, UNDP core resources accounted for only one fourth of the total grant assistance provided by the system (see table II.7).

51. UNDP has introduced a number of programmes in recent years to strengthen Government capacity for co-ordination and management of technical co-operation. Some of them are:

(a) TOKTEN: The Transfer of Knowledge Through Expatriate Nationals. This entails the recruitment of highly qualified specialists resident outside their country of origin to serve on short-term assignments to give technical support, advice and training within their field of expertise in their country, on a voluntary basis;

(b) STAR: Senior Technical Adviser Recruitment. The recruitment of highly qualified specialists on a volunteer basis for short periods for purposes similar to TOKTEN, but regardless of nationality and country of origin;

(c) STAS: Short-Term Advisory Services;

(d) SAPAM: Special Action Programme for Administration and Management in Africa;

(e) MDP: Management Development Programme. The purpose of this is to improve the entire government machinery, including central institutions for resource management, planning and monitoring and evaluation;

(f) PDF: Project Development Facility;

(g) The round-table process for the co-ordination and mobilization of aid an the programming of technical co-operation;

Table II.7. Expenditures on operational activities for development of the United Nations system: overview, 1980-1987

(Millions of United States dollars)

	1980	1981	1982	1983	1984	1985	1986	1987
Development grants								
Financed by UNDP a/	677.3	731.6	660.6	560.1	532.6	571.8	689.2	692.6 b/
Financed by UNDP-administered funds	31.4	69.9	61.4	64.0	81.0	77.2	94.0	96.4
Financed by UNFPA	136.5	122.4	106.3	105.6	119.9	123.5	101.6	107.0
Financed by UNICEF	251.7	218.3	213.4	246.2	244.4	278.6	326.0	364.8
Financed by WFP c/	539.1	541.9	593.8	628.8	678.9	778.9	648.0	719.4
Financed by regular budgets d/	157.0	212.7	198.9	257.8	281.0	297.7	310.5 e/	320.4
Financed by specialized agencies and other organizations from extrabudgetary sources f/	328.7	380.6	410.3	396.7	420.0	412.8	451.1	484.3
Subtotal (1-7)	2 121.7	2 277.4	2 244.7	2 259.2	2 357.8	2 540.5	2 620.4	2 784.9
Concessional loans								
Net disbursements by IFAD g/	53.6	75.2	109.1	149.8	187.7	191.1	208.2	202.3
Disbursement by IDA								
(a) Gross disbursement	1 584.6	1 767.7	1 679.3	1 429.3	2 581.9	2 714.6	3 195.5	3 686.4
(b) Net disbursement	1 542.8	1 722.6	1 611.4	1 348.4	2 491.6	2 600.6	3 053.4	3 531.9
(c) Net transfer	1 465.2	1 632.9	1 507.7	1 232.4	2 326.7	2 410.3	2 818.0	3 261.9
Subtotal (8, 9 (c))	1 518.8	1 708.1	1 616.8	1 382.2	2 514.4	2 601.4	3 026.2	3 464.2
Non-Concessional loans								
Disbursed by World Bank								
(a) Gross disbursement	4 669.8	5 487.0	6 835.3	7 777.6	8 727.3	8 350.9	10 090.4	11 165.7
(b) Net disbursement	3 068.1	3 879.0	4 935.8	5 543.6	5 953.0	5 080.3	5 403.9	4 169.2
(c) Net transfer	1 081.7	1 830.5	2 634.3	2 835.5	2 797.1	1 496.9	194.1	(2 203.3)
Disbursed by IFC								
(a) Gross disbursement	465.1	644.9	387.6	365.0	377.7	368.7	560.6	693.5
(b) Net disbursement	295.2	509.7	290.6	166.0	126.6	93.8	156.2	212.6
Subtotal (10 (c) and 11 (b))	1 376.9	2 340.2	2 924.9	3 001.5	2 923.7	1 590.7	350.3	(1 990.7)
GRAND TOTAL	5 017.4	6 325.7	6 786.4	6 642.9	7 795.9	6 732.6	5 996.9	4 258.4

/...

Table II.7 (continued)

	1980	1981	1982	1983	1984	1985	1986	1987
Memo items								
Refugee, humanitarian, special economic and disaster relief grant activities h/	465.7	647.9	621.3	593.0	627.5	646.4	634.6	642.9 i/
World Bank/IDA technical co-operation j/	463.8	516.8	730.7	873.2	845.8	947.1	1 063.8	1 223.6
"Self-supporting" expenditures k/	38.7	58.1	77.4	92.3	102.6	85.4	70.5	58.5

Source: Document A/44/324/Add.1. See tables A-1, B-2 and B-3. For definition of terms, see the note on statistical information in document A/43/426/Add.1-E/1988/74/Add.1 and Corr.1.

a/ I.e., UNDP central resources, including expenditures financed from government cost-sharing contributions. Through 1986 the entries also include expenditure financed from government cash counterpart contributions ($7.5 million in 1986).

b/ Starting with 1987, expenditures financed from government cash counterpart contributions are no longer counted on this line. Such expenditure for 1987 amounted to $9.5 million. For convenient reference, if the entry for 1986 were calculated on the same basis, the total would be $681.7 million.

c/ Includes project expenditures for development activities and emergency operations. Of the latter, most was financed from the International Emergency Food Reserve and the remainder from WFP general resources.

d/ The major share of such expenditures is financed by WHO. In accordance with resolution 29.48 of the World Health Assembly of May 1976, allocations of the regular programme budget were to reach the level of at least 60 per cent in real terms towards technical co-operation and provision of services of States members of WHO. Data for WHO also include support costs.

e/ The figure given in document A/43/426/Add.1 has been revised on the basis of corrected information.

f/ I.e. from funds not elsewhere specified in the table. Line 7 is not immediately comparable to line 8 in table A-1, in that it includes some expenditures financed from United Nations funds and programmes listed in line 5 of table A-1. Also included are expenditures financed from government "self-supporting" contributions, amounting to $58.5 million in 1987.

g/ Includes a small amount of grants, which in 1987 was $8.2 million.

h/ Includes expenditures by UNHCR, UNRWA, UNDRO, and United Nations trust funds for emergency assistance (including United Nations Special Economic Assistance Programmes). Includes the amounts mobilized through the United Nations for emergency relief to Lebanon through 1986. Regarding expenditures for WFP emergency operations, see footnote (c) above.

i/ Starting with 1987, resources mobilized by, but not spent by, the United Nations for emergency relief to Lebanon are no longer counted on this line. For convenient reference, the amount of such resources indicated as mobilized in 1986 was $18 million.

j/ I.e., gross disbursements on "training" and "consultants" embodied in World Bank loans and IDA credits to borrowers.

k/ The amounts related to expenditures from government "self-supporting" resources, which are included in the figures for line 7 above, are here provided for convenient reference.

(h) NaTCAP: National technical co-operation assessment and programmes. An elaborate process for the preparation of a data base on the delivery of technical co-operation, the assessment of technical co-operation needs, and the programming of technical co-operation activities.

The participation of the agencies in these activities has been limited. Recently, however, efforts have been initiated for associating agencies more closely, particularly in the NATCAP exercise.

52. On balance, therefore, a number of developments in UNDP as well as in the agencies have contributed to a much greater degree of independence between the partners than was foreseen at the time the Consensus resolution was adopted. In trying to answer the question how United Nations system technical assistance should best be delivered in the future - an issue which is central to the mandate of the Expert Group - it would appear that realistic account must be taken of the much more independent status of UNDP and of the agencies now prevailing.

53. These developments also raise a seemingly simple question but one which has never been satisfactorily answered. Does the Consensus apply essentially only to IPF resources or has it a broader application for all the resources mobilized and development support activities initiated by the United Nations system? The future relationship between UNDP and agencies will to a considerable extent depend on the reply which is given to this question.

F. The World Bank as a major source of funding for technical assistance

54. A development which the Consensus resolution could not foresee is the unprecedented rise in technical assistance funding by the World Bank. From a modest volume of $38 million in 1968, World Bank technical assistance contributions expanded to $464 million by 1980 and by 1987 had attained a level of $1.224 billion, significantly above the $693 million provided under UNDP-core resources.

55. This development underscores that the effectiveness of capital investment projects frequently depends on the simultaneous upgrading of the human resources through training and advisory services, especially in areas such as planning, project monitoring, research and evaluation. The rapid expansion in World Bank-funded technical assistance also highlights a problem which has beset the United Nations system from the outset. A separation between capital and technical assistance has no structural analogy in the economies of the recipient countries. This problem was already fully recognized in the Capacity Study (see chap. VII, para. 68).

56. The growth in World Bank technical assistance funding not only raises important problems of co-ordination, but also other issues such as the type of technical assistance provided and the terms under which it is extended. It may be noted that other multilateral financial institutions such as regional banks and the International Fund for Agricultural Development (IFAD) are also providing technical assistance on their own and occasionally in collaboration with the United Nations system.

57. World Bank technical assistance activities can be classified under three principal headings:

(a) Project-financed technical assistance;

(b) Technical assistance financed through the administrative budget;

(c) World Bank-administered technical assistance financed by others.

The amounts extended during 1982 to 1988 under these headings and their relative shares in the total are shown in table II.8, which is self-explanatory. The largest part is provided in the framework of project loans, although some of these are free-standing in the sense that their only purpose is technical assistance. Technical assistance provided by the World Bank is usually in the form of loans, with only a very small proportion given as grants.

58. In its regular analysis of its technical assistance activities, the World Bank distinguishes between hard and soft types of technical assistance. The former category includes predominantly engineering services for project design and construction, whereas the second refers to expert services for institutional development and project-related training.

59. For the 1982-1986 period, the Bank estimates that about 46 per cent of its technical assistance was in the hard category and 54 per cent in the soft category. It notes, however, that the latter type has been rising more rapidly in recent years. Therefore, the World Bank is increasingly recommending to its borrowers to turn to UNDP and the specialized agencies for the implementation of these technical assistance components of loan projects. According to a recent analysis by the Consultative Committee on Substantive Questions (Operational Activities) [CCSQ (OPS)] 4/ disbursements through the system (mainly UNDP, FAO, ILO, UNICEF and DTCD) rose to $51 million from $29 million two years earlier. Considering that it is mainly in the area of soft technical assistance where the system is used, it can be estimated that in 1987 some 8 per cent of this type of World Bank technical assistance lending was channelled through the system. This is still a relatively modest share. Proceeds from bank loans are also being used by borrowers for cost-sharing with UNDP, particularly in the Latin American region where the IPF is rather small for the needs of the countries.

Table II.8. World Bank technical assistance activities FY 1982-1988 (commitments) (million of United States dollars)

	FY 88	FY 82-88	% of FY 82-88
Project-financed technical assistance			
Project components of loans/credits	1 081.0	7 872.2	83.5
Free-standing loans/credits	95.7	707.4	7.5
Project Preparation Facility (PPF) a/	71.5	300.5	3.2
Special PPF b/	3.2	13.0	0.1
SUBTOTAL	1 251.4	8 893.1	94.3
Technical assistance financed through the administrative budget			
75 per cent contribution to FAO, UNESCO, WHO and UNIDO Co-operative Programme (70 per cent) c/	9.6	52.5	0.6
Technical Assistance Programme for IDA countries	3.0	13.2	0.1
Economic Development Institute	16.4	99.4	1.1
SUBTOTAL	29.0	165.1	1.8
Bank administered technical assistance financed by others			
As executing agency for United Nations Development Programme	48.2	230.0	2.4
Reimbursable assistance to capital-surplus countries d/	4.0	41.3	0.4
Other reimbursable assistance (including International Fund for Agricultural Development Programme)	6.0	38.4	0.4
Consultant Trust Funds	10.2	16.3	0.2
Japanese Grant Facility e/	48.2	48.2	0.5
SUBTOTAL	116.6	374.2	3.9
TOTAL	1 397.0	9 432.4	100.0

(Footnotes on following page)

(Footnotes to table II.8)

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a/ There is double counting since PPFs are repaid or subsequently refinanced under loans/credits.

b/ Experience indicates that most SPPFs are converted into grants.

c/ Contribution to WHO was terminated in FY84; the agreement with UNIDO was terminated in FY87.

d/ Included EMENA and LAC regions. The reimbursable programme for LAC (Venezuela) was terminated in FY 1987.

e/ Under this facility, Japan has committed a total of $225 million for 1988-1990. The bulk of these funds is expected to be committed for technical assistance in project preparation and implementation.

60. Several issues arise from the growth of the World Bank as a provider of technical assistance and these can be summarized as follows:

(a) Co-ordination between the World Bank, UNDP and the agencies at country level must be continuously improved, focusing on:

(i) Sector studies, their timing and more regular participation by the concerned agencies;

(ii) Project identification;

(iii) Preparation and follow-up of round-table and Consultative Group meetings;

(iv) Evaluation of projects and programmes;

(b) Funding modalities for technical assistance must be jointly considered, particularly in countries which are reluctant to borrow funds for technical assistance purposes;

(c) Thematic reviews and/or country reviews similar to the joint study carried out recently for Somalia should be encouraged.

III. TECHNICAL CO-OPERATION NEEDS AND THE ROLE AND CAPACITY OF THE UNITED NATIONS SYSTEM IN MEETING THEM

A. Needs of countries

1. Introduction

61. In the preceding chapter, broad patterns and trends of development and priorities in developing countries have been dealt with. This chapter analyses in greater detail how these trends manifest themselves in the field.

62. The countries selected represent a broad spectrum of technical assistance needs. The discussions the members of the Group had with Governments, representatives of the United Nations, donors and NGOs were frank and lively. So were the discussions in agency headquarters and with representatives of the various United Nations system funding sources.

63. As a basis for classification of the countries visited, macro-economic indicators are provided of per capita income, population, net flow of public and private external capital, Official Development Assistance (ODA), ODA per capita, external debt and sectoral distribution of GDP (see table III.1). A special attempt has been made to synthesize the priority needs and their special features, and the manner in which the system should respond.

64. The countries visited are divided into middle-income ($480 GNP per capita and above) and low-income groups. Those in the middle-income group are Brazil, Chile, Tunisia, Ecuador, Honduras, India and China. The latter two are included in this category as their technical assistance needs are very similar to the other five countries. The low-income category consists of Chad, Ghana, Guyana, Mauritania, Mozambique, Myanmar, Papua New Guinea, Rwanda, Sierra Leone and Uganda.

Table III.1. Basic macro-economic indicators of the countries visited

Countries visited	1987 Per capita income $	1987 Population in millions	1987 Net flow of public and private extern.cap/$ millions public	private	1987 ODA $ millions	1987 ODA per capita $ millions	1987 Total external $ millions	Structure of production Distribution of GDP in percentage Agriculture 1965	1987	Industry 1965	1987	Services 1965	1987
Brazil	2 020	141.1	-1 388	-740	288	2.0	123 932	19	11	33	38	40	51
Chile	1 310	12.5	396	87	21	1.7	21 239	-	-	-	-	-	-
Tunisia	1 180	7.6	215	-24	282	37.0	6 909	22	18	24	32	54	50
Ecuador	1 040	9.9	429	-20	203	20.5	10 477	27	16	22	31	50	53
Honduras	810	4.7	42	-10	258	55.0	3 303	40	22	19	24	41	55
Papua New Guinea	462	3.7	78	19	322	87.0	2 711	42	34	18	26	41	40
Mauritania	440	1.9	82	0	178	93.7	2 035	32	37	36	22	32	41
Ghana	390	13.6	248	-8	373 a/	27.5	3 124	44	51	19	16	38	33
Guyana	-	0.8	-	-	-	-							
Sierra Leone	300	3.8	-2	-	68	17.8	659	34	45	28	19	38	36
Rwanda	300	6.4	78	0	243	38.0	583	75	37	7	23	18	40
India	300	797.5	3 342	169	1 852	2.3	46 370	47	30	22	30	31	40
China	290	1 068.0	3 930	0	1 449	1.4	30 227	39	31	30	49	23	20
Uganda	260	15.7	141	0	276	17.6	1 405	52	76	13	5	35	19
Mozambique	170	14.6	-	-	649	44.6	-	-	50	-	12	-	38
Myanmar	-	39.3	222	0	364 b/	9.3	4 348	-	-	-	-	-	-
Chad	150	5.3	48	0	198	37.6	318	42	43	15	18	43	39

Figures derived from the World Development Report 1989. Published for the World Bank by Oxford University Press.

a/ For Guyana apparently no data were available. This country is at present in a stage of transition from a planned economy to a more open-market economy. Decentralization and privatization are now policy objectives which, however, are not easy to pursue. The country faces extreme financial problems. Recently, IMF and World Bank prepared an economic restructuring programme. A support group chaired by Canada had managed to collect $400 million for debt repayment to IMF and the World Bank.

b/ Myanamar is also in a stage of transition from a planned economy to an open-market economy. After the disturbances in summer 1988, donor countries stopped their aid flow to this country. In May 1989, some of the donors resumed their aid in a modest way.

2. The situation in the middle-income countries

General observations

65. With the exception of Ecuador and Honduras, the middle-income countries are recipients and also providers of technical assistance and all seven have attained substantial scientific and technological levels. As a point of interest, India has the third largest stock of scientists and engineers in the world after the USA and the Soviet Union. Although they continue to require highly specific technical input, these countries primarily need capital assistance and/or debt rescheduling.

66. During the last decade, all of these middle-income countries have seen a decrease in the contribution of their agricultural sector to GDP in favour of an increase in that of the industry and service sectors such as banking and transport. Usually, such a structural transformation has been an indicator of sustainable economic growth. Nevertheless, one should keep in perspective that a substantial part of the population of these countries is still living below the poverty line.

Present and future needs of these countries

67. The fact that developing countries are not a homogenous group requires no reiteration. Even the few countries in the middle-income category differ in many respects. At the same time, it is possible to identify similarities in priority needs which Governments highlighted in the discussions with members of the Group. Four common areas of focus were indicated:

(a) Science and technology was considered a priority, with special emphasis on high-technology inputs, particularly in the ability of the countries to meet their own technological development requirements and to develop their own export capacity in high technology. The effective achievement of these objectives is a basic overall aspiration of these countries;

(b) Strengthening the management capacity in the public and private sectors of the economy is of paramount importance and will engage attention for the coming years;

(c) The need for increasing industrial productivity was felt badly in every country;

(d) As evidenced by the data made available, industry is growing fast while technological development activities and innovations are expanding even faster. This is why these countries require high-level technical experts in specific fields of technological innovation.

68. As regards country-specific needs, China and Brazil expect the United Nations system, and in particular the UNDP field office, to provide advice on the reform processes they are undertaking. China mentioned the current move towards a more open economic system. In this connection, it was felt that the country could benefit from lessons of international experience on how an open economic system

works. China also attached considerable importance to the advice and assistance it expects from the United Nations system in implementing its civil service reform and the development of its light industry. Almost one third of China's IPF is devoted to the latter sector. Brazil and Tunisia want to accelerate democratization and decentralization and expect advice from the system.

69. Honduras indicated the strengthening of public administration and education, the fight against unemployment, and the control of population growth as its particular concerns. Chile is self-reliant and has a fairly well developed technical and managerial capability and, therefore, hardly relies on general advice from the United Nations system. However, on certain sectoral issues or specific problem areas, a policy dialogue takes place with organizations of the United Nations system. Examples of specialized assistance it gets are the advice WHO and the Pan American Health Organization (PAHO) provide to the Ministry of Health on AIDS, the advice provided by FAO in the formulation of national watershed management plans to the National Forestry Corporation, and UNIDO support in introducing highly sophisticated methodologies in copper mining. The UNDP field office also conducts dialogue on the management of technological innovations and adaptation with government institutions such as the Planning Ministry.

70. In addition, a number of countries see a special role for United Nations system assistance in projects with long-term economic and social impact, and in projects which other funding sources are reluctant to finance.

Aid profiles

71. The figures in Tables III.2, III.3, and III.4 call for comments and lead to some broad conclusions. The data show that UNDP is generally a modest contributor in technical assistance to a country. This fact should be kept in mind when one considers the role of the Resident Co-ordinator. Bilateral donors, who are by far the biggest providers of funds for technical assistance are, apart from other motives, reluctant to accept a formal co-ordinating role by UNDP over their aid. Still, it is interesting that Resident Co-ordinators do make their presence felt in a number of countries, as a catalyst and facilitator of exchange of information. The person and style of the individual Resident Co-ordinator is undoubtedly an important factor in determining the actual role he or she plays.

72. Government execution of projects clearly figures as an important modality for most of the countries in this category. Out of the 551 projects, 177 (or 32 per cent) are executed by Governments, totalling about 23.3 per cent of the funds provided (see table III.3). On the other hand, it is interesting to note that some of the countries in this category make hardly any use of the government execution modality. The Group considers that even in these countries this modality is likely to be used more.

73. Despite the increase in government execution, the specialized agencies are still very much involved as executing agents because of the continued need for their experiences and specialized competence. Nevertheless, project execution by agencies will decline in the coming years.

Table III.2. Technical assistance from multilateral and bilateral sources: (middle-income countries), 1986-1988

(thousands of US dollars)

	Technical assistance				Capital assistance			
	UNDP	Other United Nations funding organizations	Bilateral donors	Other	World Bank	United Nations	Bilateral donors	Regional banks and others
Brazil (1986)	6 358 7%	10 043 11%	66 553 71%	10 485 11%	no information			
Chile (1987)	2 319 6%	2 201 5%	22 413 55%	14 094 34%	311 200 60%	153 0%	10 425 2%	198 768 38%
Tunisia (1987)	1 257 1%	12 777 10%	113 663 88%	1 504 1%	no information			
Ecuador (1988)	4 953 5%	12 653 15%	66 386 78%	1 960 2%	60 000 11%	-	385 558 73%	87 706 16%
Honduras (1987)	4 568 4%	9 971 9%	78 990 72%	16 749 15%	6 830 4%	- -	129 576 76%	34 795 20%
India (1987)	29 980 5%	87 012 16%	301 249 54%	136 234 25%	1 696 262 81%	- -	404 392 19%	- -
China (1987)	26 484 10%	106 662 40%	119 170 45%	13 057 5%	no information			

Note 1

The figures in this table relate to technical assistance and food aid provided to the countries. The column "Other UN funding organizations" lumps together UNFPA, UNCDF, UNICEF, WFP and contributions from specialized agencies from their regular programme and/or trust funds. Among these organizations, WFP is the major donor, followed by UNICEF. In China alone, WFP provided food aid in 1987 worth $70.6 million.

Note 2

The figures are derived mainly from UNDP development co-operation reports from the countries concerned.

Table III.3. Ongoing IPF-financed projects 1989 (October): (middle-income countries) a/

(United States dollars)

	Government execution		OPS		United Nations agencies		World Bank		NGO		Cost sharing
	No. of proj.	$	No. of proj.	$	No. of proj.	$	No. of proj.	$	No. of proj.	$	$
Brazil	40	9 320 279	6	271 262	23	8 329 061	1	-	4	478 109	- 40 122 886
Chile	46	8 099 443	3	502 500	12	4 367 734	1	62 500	-	-	- 4 634 732
Tunisia	11	2 800 787	3	373 291	25	7 066 545	1	242 600	-	-	- 643 431
Ecuador	1	115 273	6	3 255 850	22	6 788 180	-	-	-	-	- 15 257 123
Honduras	1	771 554	7	2 889 588	15	4 790 819	2	479 628	-	-	- 8 851 298
India	14	15 453 480	6	15 292 754	116	171 515 541	-	-	5	170 430	- 300 000
China	64	63 686 551	2	7 950 951	112	90 762 682	2	4 220 000	-	-	- 35 862 668
	117	100 247 367 23.3%	33	30 536 196 7.1%	325	293 620 562 68.3%	7	5 004 728 1.2%	9	648 539	- 105 672 138

Total for UNDP-financed projects: 430 057 392

a/ The figures were compiled for the Group by UNDP Headquarters.

/...

Table III.4. Chile: Changes in the structure of the field programme, 1975-1989

(thousands of United States dollars)

	1975	1980	1985	1988	1989
IPF amounts	4 259	5 614	1 891	2 281	3 300 a/
Cost-sharing amounts	-	227	459	556	3 000 a/
No. of projects	30	22	26	52	54 b/
No. of projects executed by agencies	30	22	26	14	9
No. of government-executed projects	-	-	-	38	45
No. of long-term international consultants	38	24	12	4	2
No. of short-term international consultants	27	37	36	32	28
No. of national experts	-	-	2	80	115

Source: UNDP Santiago.

a/ Estimated figures.

b/ Number of projects as of June 1989.

74. The evidence suggests that four trends can be expected to continue and accelerate in the next decade:

(a) Projects directly executed by agencies will continue to decline as a result of the growth of the government execution modality in which agencies will have an expanding supporting role;

(b) Governments will continue to make increasing use of their own skilled nationals in UNDP-financed projects;

(c) The demand for short-term international consultants will intensify in the coming years. Conversely, it was not clear whether the demand for long-term international experts will decrease in such a dramatic way as shown in the country example in table III.4;

(d) Financing through cost-sharing is likely to grow.

Cost-sharing

75. Cost-sharing is a popular financing source practised in implementing almost all United Nations-financed projects (see table III.3). The sharing of Government funds with resources provided by the United Nations system is seen as advantageous by many Governments. Domestic resources added to external aid enhance the value of project aid many times over. The procurement of goods and services from abroad is facilitated. Cost-sharing also permits some flexibility in recruiting nationals at more attractive remuneration levels than those possible through government machinery and provides an easy channel for buying technology at reasonable prices.

76. Cost-sharing also facilitates the participation of private enterprises. In one of the countries visited, half of the cost-sharing funds were provided by the private sector, followed by regional development funds, and government organizations such as universities and public enterprises.

Assessment of the responses of the United Nations system

77. In all countries visited, Governments stressed that they valued and appreciated United Nations system support for its neutral approach and the system's profound commitment to development. Its catalytic function in attracting additional funds and in opening accesses to global expertise was also praised. Nearly all Governments expressed support and special appreciation for the work done by the small technically specialized agencies which, they said, should remain fully involved at all stages of the project cycle. United Nations participation and services were appreciated especially in the implementation of projects with cost-sharing arrangements in middle-income countries.

78. The advisory role played by the Resident Co-ordinator and agency representatives in policy-related matters was also singled out for its usefulness. OPS services, though considered expensive, were found generally responsive, accommodating and fast, primarily because of the subcontracting mechanism OPS uses. Its technical backstopping was, however, viewed as weak.

79. As should be expected, praise was accompanied by criticism. When viewed in the light of the pressing needs of the countries, the United Nations system was generally considered slow in its response. This weakness was partly attributable to the system's cumbersome and complicated procedures. Some Governments considered the inability of UNDP and the United Nations system to provide capital assistance as a distinct drawback.

80. Concern was expressed and friendly warnings were given that, if the United Nations system is to maintain its neutrality, it should be careful not to exert pressure on Governments to adopt policies which countries may not be ready to accept. Subjects such as structural adjustment, privatization, population control and environmental protection were cited as examples. This is not to argue that a dialogue on these issues would not be useful. Such dialogue can eventually lead to changes in policy if Government and the people of the country were convinced of the need for such changes.

The executing agencies

81. Middle-income countries expect agencies to bring international experience to bear upon major government policy initiatives such as structural change through decentralization. Their specific needs centre on specialized advice from agencies. Governments' requests for experts were, however, often unmet. One Government representative commented that the larger an agency is, the less expert advice it provides.

82. These countries also affirmed that specialized agencies can play a useful role by facilitating the participation of their national experts in United Nations-funded activities abroad. They also welcomed aid in selecting students from abroad to study in their national specialized institutions.

83. Governments do not want to be involved in the internal quarrels of the United Nations Organization about who should execute a project. Nor do they appreciate the salesmanship pitch that is pursued by some United Nations organizations. The preoccupation by executing agencies with acquiring as many projects as possible without commensurate increase in staff also bothered Governments. They experienced a deterioration in the quality of backstopping of projects by agency headquarters with far-reaching implications for coherence, quality and impact on United Nations assistance.

84. Some Governments also observed that, on the whole, the significance of United Nations activities had declined over the years. In the 1960s and 1970s, the system had carried out some major resource surveys and related background studies, which in turn led to significant follow-up capital investments from bilateral and multilateral funding sources. Today, while the number of projects may have increased, their lasting impact appears to be less certain.

85. Governments of middle-income countries recognized the continued need for the recruitment of short-term consultants when specialized expertise is not available locally. However, they complained about the quality of experts provided by the major agencies, asserting that they could locally recruit nationals of better quality. In this connection, the members of the Group noted the emergence of many highly specialized technical and scientific institutions which are now capable of doing the work that used to be done almost totally by the specialized agencies.

The UNDP field office

86. Almost all the Governments visited acknowledged that the role of the UNDP Resident Representative and staff was considered far more important than one would expect compared with the modest financial contribution UNDP makes. The UNDP field office and the Resident Representative are generally viewed not only as a source of technical assistance but also as a provider of impartial policy advice, both formal and informal. This is particularly useful on policy matters under negotiation with multilateral and bilateral institutions and in finalizing government priorities, for example, on structural adjustment. Resident Representatives, for their part, take the initiative to make suggestions on how to relate globally defined needs (environment, population, participation of women in development) to the development concerns and objectives of the country.

87. The middle-income countries expect that the policy advisory role of the Resident Representative will become more and more important in the future. Such an expectation raises demands for high calibre individuals with sound socio-political judgement and knowledge of the cultural environment in which he or she is working. It was pointed out that not all expatriate staff showed the degree of sensitivity to and appreciation of the cultural environment of the duty stations.

88. It is also recognized that the growth in government execution may generate an increased work-load in the field office, particularly in accounting and administrative aspects and in filling gaps where government capacity is found wanting. Such development will exacerbate the present inadequacies of UNDP field offices, which are manned with too many junior staff members handling complex projects and activities that normally require staff with experience and status acceptable to government officials. One should remember that all the functions expected from the UNDP field office described above are in addition to the regular work programme.

3. The situation in low-income countries

General observations

89. This group, which includes LDCs, receives almost the same amount of assistance as the seven middle-income countries. The 10 together have a population of approximately 105 million, which is less than that of Brazil alone. The ODA received by the low-income countries represents a substantial part of their total budget.

90. With the exception of Rwanda, these countries have not undergone much of a structural transformation in the last two or three decades. The economies are functioning primarily in the traditional sectors and hardly any ingredient of sustainable development, such as growth in the manufacturing sector, is visible yet.

Present and future needs of these countries

91. The Governments of these countries identified the following as their priority needs:

(a) Capacity-building:

(i) upgrading skills, specifically management training and planning, and generally raising the education and training levels of the population at large;

(ii) strengthening the planning and co-ordination capability of Governments and their capacity in economic management;

(iii) strengthening existing training institutions and establishing new training courses;

(iv) providing expatriate trainers and training equipment;

(v) providing training in and transfer of relevant development experience or technological expertise.

In Myanmar, members were apprised of successful experiments in which mid-level and high-level Government officials were sent to more advanced neighbouring countries to exchange experience and skills with their counterparts.

(b) Civil Service reform: Revamping civil services, a major corollary to upgrading skills, is perceived as part of overall capacity-building. Because of political sensitivity in such reforms, the neutral United Nations system intervention is seen as appropriate and accepted easily;

(c) Traditional technical assistance: Health, agriculture and rural development, broadening the industrial base, promotion of small-scale industries, employment, food aid, mother and child care were sectors and areas where a continuing need for traditional United Nations system support through expert and advisory services, fellowships and equipment was recognized.

Structural adjustment programmes

92. In addition, the Group noted other needs in different countries. The United Nations system can play an important role by preparing the ground for measures of structural adjustment, particularly by concentrating its assistance on the most vulnerable and poorest groups of society most likely to be affected by such a programme. Ghana has launched a "Programme of Action to Mitigate the Social Cost of Adjustment". This programme is illustrative of activities which could be planned well in advance of the introduction of a structural adjustment programme. United Nations competence and experience in the vital social sectors of health, nutrition, children, women in development, education and population give it a comparative advantage to assist in the integration of social and economic programmes.

93. Structural adjustment measures, with or without direct World Bank involvement, will continue in the next decade. There are already a number of examples where first attempts have been made by Governments to formulate adjustment measures adapted to their particular needs. Such attempts will require indigenous management capability to evolve sound macro-economic policies, to introduce reforms and to remove sectoral imbalances.

94. As many countries adopt adjustment programmes, it is possible that they will call upon the United Nations system for advice and assistance. Because of its impartiality and experience, the system is well suited to advise on civil service reform, price and incentive policies, formulation of programmes for strengthening sectoral capacities and mitigating the social costs of adjustment. The United Nations system can and should provide assistance in strengthening strategic areas such as planning, management information system, and taxation and revenue-generating practices. In Papua New Guinea, for instance, there are two important projects in this respect: the Personnel Information Management System (PIMS) and the

Government Financial Management Development Programme. Both programmes, one in the field of personnel and the other in the field of public finance, are to develop a sustainable management information capacity at the national and provincial level.

Overcoming the effects of the exodus of talent

95. The economic situation of some of the countries visited was desperate. This is manifested by the exodus, more severe than the brain drain, of educated and middle-class people from these countries. This is occurring not only because people are going abroad in search of better jobs but also because living conditions have become untenable. The absence of educational and health facilities, more than the lack of consumers' supplies and durables, is inducing such exodus.

96. These countries consequently require international experts from all sources to fill vacant operational positions in the administrative and economic hierarchy at least temporarily. This task is daunting because of the problems of recruiting experts to agree to take up assignments in countries with difficult conditions.

97. Data on the flow of technical assistance establish again that the financial flow from the United Nations system to these countries is modest. There are fewer government-executed projects, with only 6 per cent against 24 per cent in middle-income countries. Cost-sharing in the low-income countries is also much less than in the middle-income countries. NGOs are not very much involved in IPF-funded projects both in middle and low-income countries. Making use of local NGOs may prove to be very useful in further diversifying experiences and modalities of execution (see tables III.5 and III.6).

Counterpart personnel

98. Recipient Governments, particularly the poorest, are facing increasingly severe internal problems in providing the necessary counterpart staff and in paying them adequately. Inevitably, foreign assistance resources are called upon in various ways to fill the void. However, such support measures should be temporary and linked to a firm undertaking on the part of the Government to implement the necessary internal policy reforms.

Assessment of United Nations system response

99. What was said in connection with the middle-income countries about the overall role of the system is also true for this category of countries which need, perhaps more so, the United Nations system as their most neutral and trusted donor organization. Many of them recommend salary support for national personnel engaged in the execution of United Nations system projects.

100. The flow of resources from the United Nations system to these countries for technical assistance is substantial. For this category of countries, technical assistance is viewed as having a potential impact on the development process, especially if the system could function more in unison and within the framework of a programme rather than a project-by-project approach.

Table III.5. Technical assistance from multilateral and bilateral sources: (low-income countries), 1986-1988

(thousands of US dollars)

	Technical assistance				Capital assistance				
	UNDP	Other United Nations funding organizations	Bilateral donors	Other	World Bank	Regional banks	United Nations	Bilateral donors	Others
Papua New Guinea (1988)	2 491	4 514	219 964	6 087	35 940	22 800	86	57 832	24 121
	1%	2%	94%	3%	26%	16%	0%	41%	17%
Mauritania (1986)	3 508	3 123	2 670	1 251	21 731	-	5 059	75 351	39 119
	33%	30%	25%	12%	15%	-	4%	53%	28%
Ghana (1971)	5 562	4 024	30 201	4 623	28 877	-	-	5 972	1 574
	13%	9%	68%	10%	79%	-	-	16%	5%
Sierra Leone (1987)	5 962	5 136	6 448	7 145	-	-	-	19 056	1 843
	24%	21%	26%	29%	-	-	-	91%	9%
Rwanda (1987)	7 016	4 612	68 126	2 711	38 974	-	4 374	62 066	12 093
	8%	6%	83%	3%	33%	-	4%	53%	10%
Uganda (1987)	7 905	22 636	40 849	11 341	87 600	91	4 370	70 900	32 273
	10%	27%	49%	14%	45%	-	2%	36%	17%
Mozambique (1987)	7 621	24 695	128 355	7 867	25 281	4 782	17 056	554 370	132 656
	5%	15%	75%	5%	3%	1%	2%	76%	18%
Chad (1987)	12 490	14 051	112 430	15 553	23 904	-	7 115	40 545	21 657
	8%	9%	73%	10%	26%	-	8%	43%	23%

Source: Development co-operation reports from the countries.

.../...

Table III.6. Ongoing IPF-financed projects 1989 (October): low-income countries

(United States dollars)

	Government Execution		OPS		United Nations agencies		NGO		World Bank		Cost-sharing
	No. of projects	$	No. of projects	$	No. of projects	$	No. of projects	$	No. of projects	$	$
Papua New Guinea	-	-	2	260 830	14	8 262 438	1	100 000	2	1 865 024	6 290 518
Mauritania	8	1 048 442	6	1 491 987	28	20 933 646	-	-	1	862 000	4 749 066
Ghana	8	4 615 923	12	8 810 820	26	25 932 802	-	-	1	658 400	1 315 495
Guyana	4	3 340 046	4	1 067 077	14	8 163 952	-	-	-	-	534 910
Sierra Leone	1	85 500	7	1 567 439	28	21 612 293	1	43 509	1	175 000	422 170
Rwanda	6	6 497 724	9	5 893 920	31	27 095 524	-	-	4	3 115 918	2 448 894
Uganda	6	4 668 763	6	2 347 383	36	47 472 673	-	-	4	5 531 985	1 321 307
Mozambique	8	3 787 203	7	2 231 393	60	42 791 612	-	-	2	836 000 a/	400 717
Myanmar	4	1 175 000	3	3 212 550	45	65 907 120	-	-	7	12 144 059 b/	199 449
Chad	-	-	18	12 843 311	31	46 875 031	-	-	2	4 090 000	9 491 948
	45	25 218 601	74	39 726 710	313	315 047 091	2	143 509	24	29 278 386	27 174 474
		6.2%		9.7%		77%		0%		7.1%	

Total for UNDP-financed projects: $409 414 297

a/ These figures are compiled by UNDP headquarters.

b/ World Bank and Asian Development Bank ($2,826,359) combined.

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101. Discussions with Governments, NGOs, bilateral donor representatives, and representatives from the United Nations system provided opportunities for making suggestions to improve the quality and contribution of the system.

The specialized agencies

102. The United Nations system is still prominently present in the low-income countries. The low-income countries, and in particular the LDCs, have an urgent need for technical assistance in almost every sector and this will continue to be so in the coming decade. They turn to the United Nations system for help because it has wide experience and know-how. The response they receive from the agencies, however, is judged to be very slow and not commensurate with the urgency of their demands. As in the case of the middle-income group, Governments felt that the United Nations system should resist the tendency to push too many small projects with inadequate impact on development and increased backstopping requirements at agency headquarters. The long-term objective of the agencies should be to help government institutions build the capacity to execute projects themselves and to assist their nationals to acquire the necessary skills.

103. The low-income countries, like the middle-income countries, considered that agencies were focused too much on project identification, financing and implementation, as a result of which they neglected their role as specialized institutions. Their input orientation and preoccupation with the management of projects tended to overshadow their work on sectoral assessment or provision of relevant experience and knowledge to the recipient country involved.

104. A number of Governments stressed that the selection and assignment of high quality agency representatives is important and could improve the quality of advice and service.

105. In the view of several Governments and regional representatives, Senior Industrial Development Field Advisers (SIDFAs) covering more than one country, and most missions coming from headquarters, proved to be ineffective. It was suggested that grouping of projects under specific objectives and sectors with agency experts forming local teams within the umbrella of programmes may be a desirable approach. In any case, the need for a greater programme focus is recognized by both the countries as well as the agency representatives. This approach may help to reduce the present problem of sustaining projects once the participation of an agency and the presence of expatriate staff terminate.

The UNDP field office

106. What has been observed about the role of field offices in middle-income countries is also generally valid for field offices in the low-income countries. The Resident Co-ordinators in these countries have, however, a greater responsibility to shape a coherent approach by the United Nations system as a whole in responding to the needs of a country. They are expected to enhance vigorous dialogue between Government, Resident Representatives and agency representatives to work out strategies to strengthen the capacity of the country to execute technical assistance projects, to undertake technical assistance assessment through NATCAPs

or in conjunction with the preparation of round-table and consultative group meetings and to involve nationals and indigenous institutions. The members of the Group were told of successful local sectoral round-table meetings organized by respective lead agencies which have also undertaken the sectoral analysis required for these exercises.

107. Where appropriate, and as in the case of the middle-income countries, the Resident Co-ordinators are called upon to assist Governments and initiate activities that could prepare the ground for Governments to launch structural adjustment programmes.

108. The low-income countries have needs in common with those of middle-income countries. The role of the United Nations system as facilitator and source of information and policy advice are cases in point. However, they also need a significantly different kind of assistance. More traditional technical assistance, but tailored to the specific needs of each country within the framework of coherent strategies, is required. A programme approach in key sectors, e.g., agriculture, education, health, vocational training, accommodating short-term and specific activities is a desirable and flexible instrument which would considerably enhance the impact of the United Nations system assistance.

B. The capacity of the United Nations system

1. The specialized agencies as executing agencies

109. The Group visited almost all agencies to discuss their field programme implementation procedures; how they use support cost income; and how they see their future role in operational activities.

110. Considerable differences exist between the larger and the smaller agencies in several respects: their internal structure; the way in which field programmes and regular programmes are integrated; and the way in which they have been able to absorb unforeseeable shocks such as those caused in recent years by wide fluctuations in the exchange rates of currencies in agency headquarters vis-à-vis the United States dollar. The small agencies, with limited regular programme funds to fall back on, seem to have suffered most.

111. Important structural changes are taking place, although field programmes remain of considerable importance in most of the agencies in relation to their regular programme activities. In 1987, total extrabudgetary funds channelled through the system were of the order of $2.1 billion against $1.9 billion in regular programme funds. Most of the agencies visited indicated that they were experiencing a rapid decrease in long-term field staff, accompanied by an expanding use of short-term consultants.

112. This is reflected in table III.7, which shows recent trends in the number of headquarters and field staff for five major agencies since 1975. The same trend was also mentioned by several of the smaller, highly specialized agencies; for example, the World Meteorological Organization (WMO), which 15 years ago had about 100 long-term experts in the field as against 25 today or the International Maritime Organization (IMO), where long-term personnel now make up only 25 per cent of total field project staff.

113. In addition, there is a significant shift away from internationally recruited staff to national project staff. Whereas in 1975 some 98 per cent of project staff in the system was expatriate, this has since decreased to 89 per cent; a growing number of project staff are in fact nationals of the countries where programmes are implemented. There has also been a marked expansion in the use of national project directors, particularly in the middle-income countries.

114. Several agencies indicated that these changing patterns in programme delivery, coupled with an expanding volume of field activities, had a considerable effect on the level of administrative and technical support and supervision which they had to provide with available headquarters staff resources that have remained practically constant since 1975.

Table III.7. Professional staff in five major agencies, 1975-1988

	Headquarters and established offices					Project staff (long term)				
	FAO	ILO	UNESCO	WHO	UNIDO	FAO	ILO	UNESCO	WHO	UNIDO
As of Dec. 31										
1975	1 348	803	1 092	1 012	433	2 182	828	647	1 458	n/a
1977	1 407	756	1 017	1 033	412	1 682	595	416	1 139	n/a
1979	1 507	699	1 056	797	420	1 910	746	386	833	549
1981	1 505	734	1 077	831	467	2 003	784	381	744	651
1983	1 525	739	1 131	881	470	1 719	585	251	640	709
1985	1 533	739	1 074	910	472	1 688	532	174	528	804
1987	1 526	713	976	980	486	1 387	552	122	401	785
1988	1 452	701	940	1 023	484	1 457	604	113	423	710

Source: CCAQ (PER).

115. The number of projects, on the other hand, particularly under multi-bi and regular programme funding, has tended to increase and there is evidence, beginning in the mid-1970s, that projects have declined in their average duration, leading to a much greater project turnover. Agencies stressed, therefore, that with changing implementation modalities, their supporting roles and functions require adaptation; however, they need the resources to provide the required support under these changing circumstances.

116. The quality of agency backstopping is perceived to have declined in recent years - an impression generally confirmed by Governments, United Nations system representatives and field experts. At least in part these trends are related to the severe budgetary constraints faced by the system (see table III.8) and difficulties in matching the salary scales needed to attract and retain high calibre expertise in a competitive international market.

117. Certain agency practices have also played a role; for example, an insufficiently critical approach towards the staffing of field projects, including the recycling of experts, which was mentioned by many Governments during the Group's field visits.

118. As already suggested, it became quite clear both from agency visits and from discussions in the field that the number of projects handled by the system has in many areas become too large, particularly in relation to the technical staff which is available for supervision. In one agency, the Group was told that a desk officer had responsibility for 45 projects. It is the Group's impression that there is generally insufficient internal work-load planning and control and therefore no assurance that technical supervision can be adequately performed. Many field experts complained of the absence or inadequacy of responses from their headquarters on their progress reports.

119. Similar remarks were made regarding the quality of headquarters support; for example, in the context of project appraisal and approval. Very often, it was felt that headquarters inputs are perfunctory, stylistic or outright bureaucratic, and rarely add significant substance. These observations apply not only to agency headquarters but also to UNDP.

120. With respect to the impact of financial difficulties, a recent Administrative Committee on Co-ordination (ACC) statement points out that these have significantly affected and caused erosion in the level of backstopping services provided to technical co-operation activities financed both from the regular budget and from extrabudgetary resources. ITU pointed out that as a result of these income shortfalls, the ratio of unfilled posts compared to authorized posts deteriorated to around 33 per cent. This in turn is affecting field programme implementation rates, which have been declining. The International Atomic Energy Agency (IAEA) mentioned that the zero-growth regular budget has meant that a constant number of headquarters staff has to serve a growing technical co-operation programme. For the first time, implementation rates are beginning to decline.

121. The Group concludes that valuable professional capacity is being eroded with substantial negative effects on field programme support.

Table III.6. Accumulated arrears of assessed contributions at the beginning of the year, 1979-1988, by organization

Accumulated arrears, in thousands of United States dollars, and as a percentage of appropriations for the year, on 1 January

Organization	1979		1984		1988	
	$000	%	$000	%	$000	%
UN	83 493	18.22	170 116	24.98	353 431	46.73
ILO	22 940	25.36	18 381 a/	14.43 a/	36 672	22.58
FAO	7 435	7.04	19 287	9.16	93 880	38.96
UNESCO	3 681	2.43	36 185	19.33	15 061 b/	8.60
ICAO	1 662	9.39	2 958	10.92	12 787	39.83
WHO	7 039	3.85	15 143	5.82	58 972	19.37
WMO	1 453	8.65	2 479	13.22	8 517 c/	26.76
IMO	832	12.55	2 515	19.97	3 473	19.10
WIPO	6 565	65.35	3 580	39.95	8 673	51.71
UNIDO d/	e/	e/	e/	e/	26 141	34.01
IAEA	2 140	3.22	4 402	4.55	31 423	18.52
UPU	2 375	23.96	1 173	13.72	3 191	19.30
ITU	6 534	19.38	7 706	18.53	19 640	26.69

Source: ACC/1988/FB/R.26/annex.

a/ The large reduction in the arrears outstanding on 1 January 1984 is principally due to the cancellation by the 69th International Labor Conference (June 1983) of contributions assessed on China totalling $37,247,864 in respect of the period when China did not participate in the activities of the Organization (16 November 1971 to 5 June 1983 inclusive).

b/ Excludes the second half of the 1984-1985 contributions relating to the United States of America.

c/ Excluding supplementary estimates for 1987 of $4,966,100 assessed in 1988.

d/ Separated from the United Nations on 1 January 1986.

e/ Not available.

Competitiveness of the United Nations salary structure

122. Agencies repeatedly mentioned the considerable difficulties they were facing in recruiting and retaining staff, including field staff. A survey carried out by UNDP in 1987, which is mentioned in the 1989 report of the International Civil Service Commission refers to over 500 cases of resignations, requests for transfers, early separations, voluntary non-renewal of contracts, refusals of job offers and posts remaining unfilled. The United Nations/United States comparisons of expatriate compensation levels, the basis for the calculation of the United Nations salary structure, indicate that the United Nations was behind by some 20 to 30 per cent at some field locations. Related studies noted an increasing tendency for United Nations common system staff to be lured to alternative employment with the World Bank or regional development banks and the European Economic Community (EEC). These discrepancies apply not only to remuneration levels for staff members but also to consultancy rates paid by the United Nations system agencies which are significantly below those of the World Bank and the private sector. One of the smaller agencies pointed out that it is only thanks to a network of acquaintances that they were still able to obtain qualified staff at the prevailing rates.

123. In conclusion, therefore, it appears that unless the necessary steps are taken to make the system more attractive and competitive as an employer, the quality of the service it can offer will continue to decline.

The specialized agencies and their internal structures

124. In line with their original mandates, most of the specialized agencies are structured vertically, predominantly along sectoral and subsectoral lines.

125. Although many internal structural changes have taken place over the years, most of the larger organizations follow an approach whereby field programme and regular programme tasks tend to be integrated in the substantive units. Staff members in the technical divisions usually work simultaneously on regular programme activities and carry out technical field programme support activities. This approach basically reflects the two-way process which was intended from the outset: agency substantive competence would enrich the content and quality of field programmes and the latter, through a feedback of experience from the field, would provide new stimulus to the work of the technical units.

126. This two-way relationship is beginning to be recognized also in the smaller and medium-size agencies. In some of them, the technical co-operation departments are organized and financed separately from the substantive parts of the organization. This is the case in the International Civil Aviation Organization (ICAO) and in WMO and IMO. The ITU technical co-operation department is financed by support cost and regular budget income in a ratio of 3 to 1. The June 1989 ITU plenipotentiary conference emphasized the complementary dual role of the Union as a specialized and as an executing agency and underlined the implications of this arrangement for the joint funding of field programme support.

127. In spite of the integration at the technical level in most of the larger agencies, some found it desirable to create co-ordinating units to deal centrally

with certain issues such as the relations with funding sources, the review and appraisal of project requests from the field and their channelling to the appropriate technical units. Some organizations also established separate operational units within the technical departments to deal specifically with the implementation of field programme activities. These units are financed largely, and in some cases exclusively, from support-cost income while in others, where the funding source is not separately identified, they are financed from the general pool of funds consisting of assessed budget resources and other income.

128. An important exception to the approach described above is followed by WHO. WHO considers that the entire organization is devoted to technical co-operation activities and hence it has never created separate management units for the implementation of technical co-operation activities.

Sectoral studies and policy advice

129. In recent years, arising in part from the findings of the Jansson report, the governing bodies have laid greater stress on the need for the United Nations system to provide sectoral, multisectoral and integrated advice to Governments if they so request, in accordance with paragraph 12 (c) of General Assembly resolution 42/196.

130. On the basis of its study of field conditions in 17 countries the Expert Group also came to the conclusion that in spite of a multitude of projects - valuable as many of them may be in regard to the specific problems they address - the developing countries are generally not receiving the kind of integrated development support which they expect from the system in the areas where it should have its greatest comparative advantage. The greatest potential strength of the system clearly lies in its ability to provide to Governments independent policy advice which is not burdened by any conditionality and is neutral with regard to political or commercial interests. It does not lie in the volume of resources it provides or the number of projects it implements.

131. It is quite clear, therefore, that in the future, agencies will be required to give greater importance to country-oriented sectoral policy support studies, including the elaboration of relevant options which are available to Governments. This requirement makes it necessary to ask whether the current internal agency structure, primarily geared to project delivery along sectoral lines, will allow them to respond effectively. This issue was discussed with a number of agencies.

132. It is the Group's impression that most of the larger agencies have not as yet sufficiently developed the internal structures which will enable them to cope adequately with this emerging task, although this deficiency is beginning to be addressed in some of them, e.g., the United Nations Educational, Scientific and Cultural Organization (UNESCO). Unless this country analysis and policy support function is more adequately developed - with the full involvement of existing country and regional offices - there is a certain danger that the system, with its limited resources, will continue to play mainly a gap-filling role.

133. Greater emphasis on these policy support functions would also help in creating a more clearly defined identity and image for the system, which in turn could be

helpful in mobilizing a growing volume of funds for the field programme as well as the required regular programme support.

134. To be realistic, it must be admitted that fulfilling the double mandate - global repository of technical know-how and country policy support - can have financial implications that are difficult to meet in the present climate of budgetary stringency. It is hoped, however, that a recognition of the system's future role and orientation in the development process along the lines spelled out above may provide the basis for escaping from the paralysing impasse which the zero growth budget approach has imposed.

Agency access to know-how

135. There has been much debate in recent years concerning the level of technical competence which exists in the agencies and the degree to which they have access to the latest technology in their respective fields of specialization. Visits to agencies by the Group have clearly brought out that the technical fields that must be covered by them are becoming more diversified. It is also true that some of the most relevant knowledge and information required by developing countries is generated in the private sector.

136. A further question relates to the depth to which the specialized agencies have been able, over the years, to keep up and develop their knowledge and activities in particular sectors and subsectors. The issue is highlighted by an internal review carried out recently by independent consultants in one of the major agencies, which points out that with limited resources to fulfil its mandate, there is a danger that the organization will spread its activities too thinly, thereby jeopardizing the effectiveness of the programmes. They therefore recommend that it is particularly important to set priorities and to make the most effective use of the limited financial and human resources. These trends are also generally reflected in the field programme, which is subject to a considerable dispersion of activities, at times with uncertain overall impact and effectiveness, as the Group's field visits have clearly shown.

137. In the questionnaires sent to the agencies in advance of the Group's visits among the issues raised were those concerning access to the latest scientific knowledge, backstopping capacity and the relationship between regular and field programmes as it affects the quality of field activities. Most of the agencies felt that they did not face significant problems in this respect, although several pointed out that budgetary and staffing difficulties did have a negative impact. The Group is convinced of the need for a systematic and more critical examination of the issues of technical support capacity, access to latest knowledge and the general problem of interchange and integration of regular and field programmes.

138. In stressing the point that agencies should concentrate more on the things they can do best, a distinction should be made, however, between the areas which are covered by their basic mandates and the areas in which they are in a position to implement effective technical assistance activities themselves. As world organizations with global mandates, they clearly must possess comprehensive world-wide knowledge of developments in their respective fields. This includes the

task of identifying the most competent institutions in various sectors and subsectors which can be used to carry out specialized field operations. The catalytic role of the agencies as international clearing-houses and repositories of information will be of increasing importance and value to all developing countries, particularly as the government execution modality expands.

2. The tasks and capacity of UNDP

139. UNDP is entrusted with the proper use and management of considerable resources voluntarily contributed to provide technical assistance (see table III.9). It carries out this mandate through a structure consisting of two basic parts, namely its headquarters and network of field offices.

Headquarters

140. Several factors have in the last year prompted UNDP to reconsider its role and chart its course for the challenges of the next decade. The changing development needs and the expectations from the United Nations system, the need to clearly define its role and functions, its incremental growth without an overall co-ordinated plan, are a few of the reasons which, as underscored in the 1989 ACABQ report to the Governing Council (DP/1989/56), have led to the vigorous effort to examine comprehensively what it is doing and what it should do. The ACABQ report, which considers the UNDP initiative as timely, further suggests that there is need for a renewed comprehensive look not only at UNDP but also at the role of the United Nations system in the 1990s on the basis of an agreed blueprint or an overall plan.

141. At its thirty-sixth session (1989), the Governing Council had useful discussions on the future role of UNDP and, at the same time, recognized that reaching final conclusions will require time for further reflection. This debate also showed cracks in the system, parts of which are growing apart. The Group also noted in the 17 countries they visited a considerable unhappiness and irritation because of internal rivalries in the system and the inability to pool its efforts and resources together to give a better focus on government priorities.

142. The extensive discussions of the members of the Expert Group during their visits to recipient countries, the agencies, and donors reflected an agreement that such trends should be curtailed and that all the organizations of the United Nations system should function as a coherent whole. As already pointed out, the developing countries will be best served when the United Nations system capitalizes on its comparative advantage and when each agency plays its respective role with competence.

Table III.9. UNDP at a glance: the 10-year record: programme financing, 1979-1988

(Millions of United States dollars)

	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988 a/
Voluntary contributions pledged	696.7	716.6	672.7	677.9	667.8	679.0	671.0	772.0	858.8	945.0
Income										
Total	798.9	821.4	804.3	792.7	838.2	789.7	873.0	1 056.2	1 196.6	1 163.1
Voluntary contributions received	679.5	691.8	688.7	679.7	697.8	651.1	658.9	785.3	880.7	931.0
Assessed programme costs	0.4	1.7	1.3	0.3	-	-	-	-	-	-
Cost-sharing	41.9	58.2	62.7	75.3	94.4	84.0	92.0	108.9	118.0	115.1
Other contributions	14.6	21.0	23.2	25.3	21.7	22.7	16.3	19.2	26.3	24.7
Miscellaneous	62.5	48.7	28.4	12.1	24.3	31.9	105.8	142.8	171.3	92.3
Expenditures										
Total	699.1	864.0	937.5	859.1	751.0	717.7	778.1	911.0	936.4	1 109.4
Field programme activities b/	547.6	677.6	732.0	660.2	560.1	532.6	571.7	689.2	702.1	831.7
Share of field programme activities in total expenditures %	78.3	78.4	78.1	76.8	74.5	74.2	73.4	75.6	72.9	74.9
Sectoral support costs	5.3	5.1	5.6	5.5	4.2	3.3	3.0	3.0	3.8	4.6
Other	2.2	1.8	1.1	1.2	0.4	(3.0)	2.9	3.0	0.1	1.0
Agency support costs	73.2	87.9	94.2	85.1	73.1	70.1	73.0	83.6	79.9	99.8
Share of agency support cost in total expenditures %	10.5	10.2	10.0	9.9	9.7	9.8	9.4	9.2	8.3	9.0
UNDP admin. and programme support cost	70.8	91.6	104.6	107.1	113.2	114.7	127.7	132.2	150.5	172.3
Share of UNDP admin. and programme support cost in total expenditures %	10.1	10.6	11.0	12.5	15.0	16.0	16.4	14.5	15.6	15.5

Source: Document DP/1989/13/Add.1, p. 5.

a/ Provisional.

b/ Data cover expenditure financed under IPF resources, SPR, SMP/CDC, SIS and cost-sharing.

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Organizational structure of UNDP headquarters

143. Since the Consensus, the organizational structure of UNDP headquarters has not significantly changed, probably because of its unique and simple structure and the direct relationship with the field office. Its country specific orientation and absence of layers at the regional level between the field offices and UNDP headquarters have no doubt facilitated the generally healthy relationships between the field and headquarters.

144. UNDP headquarters pursues the following broad purposes:

(a) To determine the overall direction of the organization and provide policy guidance;

(b) To mobilize resources for the financing of technical co-operation in the United Nations system;

(c) To provide service to field programme;

(d) To ensure the implementation of the decisions of the Governing Council and to be accountable to it.

It fulfils these primary functions through its overall central management, policy support services, programme management, administrative and financial support services and through the crucially important field office network. UNDP headquarters must in the future be even more sensitive to the evolving needs of the field offices, which in turn will have to respond more efficiently to the diversified and changing needs of the developing countries.

Policy support services

145. With the expanding policy advisory role of the Resident Representative, there will be a commensurately growing need for strong and active policy advisory support, especially on economic policy matters. In-depth analyses of current trade and monetary issues is an illustrative example several Resident Representatives identified as a type of support. UNDP headquarters will be expected to distil lessons learned in the developing world and use them in the shaping of new thinking in development matters. Some recent initiatives of UNDP are relevant in this respect; two notable examples may be mentioned here: the report on human development and the Structural Adjustment Advisory Teams for Africa.

146. UNDP is also trying to strengthen its Technical Advisory Division, mainly to enable it to judge the soundness of project proposals from their technical aspects. The response of the agencies to such an initiative range from favourable to outright rejection. No agency wants UNDP to build up alternative technical capability and subject their proposals to another layer of technical scrutiny. Many of them, however, find that a small Technical Advisory Division can contribute to a meaningful technical dialogue between UNDP and the agencies, and promotes co-operation in project formulation and appraisal. The Group feels that UNDP should not focus on scrutinizing projects already appraised by agencies but have

simply the in-house capacity to hold a dialogue with them. However, the agencies themselves should be more critical with regard to the projects they accept as technically viable and suitable for implementation.

Programme management procedures

147. The Resident Representatives pointed out that they found reporting procedures time-consuming and were doubtful about their effectiveness. On the other hand, the members of the Governing Council want to be and must be fully informed. This requires a great deal of paperwork in the field.

148. In addition, many of the procedures were not considered to be useful at all, such as the Project Approval check-list or Project Formulation Framework for very simple projects. The harmonization of documents and procedures was considered to be an area calling for action rather than study.

149. Misgivings were expressed about the need of headquarters appraisal through the headquarters Project Appraisal Committee (PAC), which in many instances duplicates the work of its counterpart at the field level. The headquarters PAC and the Action Committee slow down the process of approval, when speed and effectiveness are required to address the needs of the developing countries. The field PAC was, however, viewed as a useful instrument for thoroughly appraising projects, as it brings together the UNDP field staff and agency staff.

150. Several UNDP Resident Representatives expressed the view that all project approval authority should be delegated to the field. Agency representatives also stressed that it would be desirable if their headquarters and regional offices would delegate more decision-making to the field.

Work-load in field offices

151. The Group believes that the increase in the work-load of field offices is unavoidable. Increase in government execution and the broader advisory role of the Resident Representative will be strong factors for this. The staffing level and pattern in some of the offices leave much to be desired. The Administrator's proposal to strengthen field offices through the Development Support Services and the plans of Resident Representatives in the middle-income countries to increase the use of short-term high-level national experts to advise them on economic policy matters are measures which should strengthen office capacity.

Type of activities field offices perform

152. As shown in table III.10, more than half of the field office time is justifiably devoted to country and intercountry programmes. It is also apparent that the field office devotes considerable time to support non-UNDP programmes, agency regular programmes and trust fund programmes. This aspect of the work-load is not always well appreciated by the field office staff personnel, who resent their constant involvement in routine airport and customs clearances. Nevertheless, the Group feels that the support UNDP provides, however mundane, is important and should continue as a vital support service to the system as a whole.

Table III.10. Field office work-load: Percentage breakdown of staff time, 1988

The following information was obtained by means of a questionnaire sent to all UNDP field offices as part of a budget formulation exercise. The information provided was not based on a detailed period of time-analysis, but upon the intuitive response of the Resident Representatives. The data should be viewed in this light - as indicative rather than scientific.

Type of activity	Resident Representative	Deputy Res. Rep.	Programme Section	Admin. Section	Total staff time
UNDP IPF/Cost-sharing programme (country and inter-country)	43.4	55.3	65.0	50.1	54.7
Other UNDP-managed funds (i.e. UNCDF, UNSO, UNRFNRE, UNFSTD, etc.	5.5	6.7	7.2	6.1	6.2
Non-UNDP programmes for which office is responsible, e.g. UNFPA, WFP, UNIDO	10.3	5.5	4.6	12.7	8.3
United Nations Agency Regular Programmes and Trust Fund Programmes	5.4	6.3	9.0	12.1	8.6
UNDP promotional activities (e.g. TCDC, IDWSSD, private sector, NGOs, etc.)	7.0	6.6	6.0	3.1	5.4
Aid co-ordination (United Nations and bilateral)	13.4	7.4	3.0	1.3	5.6
Management of special and/or emergency programmes	4.0	2.6	1.8	2.2	2.3
Responding to specific requests of Secretary-General and/or Director-General for development and international co-operation	5.3	2.6	1.9	1.6	2.6
Others (e.g. security matters, support to other field offices, etc.)	5.7	7.0	1.5	10.8	6.3
Total	100.0	100.0	100.0	100.0	100.0

Source: DP/1989/55 (vol. I), English, p. 30.

Co-operation and co-ordination

153. United Nations field representatives were asked about the extent to which sharing common premises would enhance co-operation and contribute to cost-effectiveness. Although there was agreement that, in the long-run, common premises would be more cost-effective, its practical fulfilment in most cases is not easily realized. Most Governments initially provided buildings for the United Nations organizations, which were housed in common premises. With the increase in United Nations representations, buildings given for common use became too small to house many organizations. Governments did not consider it a priority to build or provide larger buildings. The net result is that, in most cases, agencies are now located in separate premises, with the WHO field representatives often given offices free of charge in the Ministries of Health.

154. The location of several United Nations offices in the same premises does not guarantee co-operation. But there is evidence that, where this is the case, the Resident Co-ordinator has easy access to the sectoral support from the agency concerned, while the latter has better knowledge of and access to UNDP technical co-operation inputs and possibilities.

155. It is recognized that co-ordinating aid is the prerogative of the recipient Government, and the Resident Co-ordinator can facilitate the process only if requested. The Resident Co-ordinator, however, is not prohibited from co-ordinating the efforts of the United Nations system. This is done in many ways. One practice is to hold system-wide meetings on administrative and security matters and to ensure an exchange of information. This type of meeting or consultation takes place in all the countries visited.

156. The co-ordination of programme matters occurs through periodic meetings on specific subjects, meetings of Chief Technical Advisers (CTAs) for UNDP-financed projects and arrangements which bring together JCGP representatives on subjects of mutual interest. In a number of countries where the Government has no objection, regular meetings are held with representatives from donor countries primarily to exchange information. In some instances, these meetings discuss policy issues and the development of sectoral strategies. More formal and elaborate modalities are consortia, Consultative Groups and round-table meetings. Co-ordination was particularly effective in relief/emergency situations, e.g., in Ethiopia, Mauritania and Mozambique.

157. With rare exceptions which could be the result of personality conflicts, the relationship among agencies and UNDP in the field is far better than generally believed and sometimes implied from a headquarters perspective. In several countries visited, the economic and social problems are so overwhelming that the various parts of the system are automatically drawn together to find urgent solutions.

158. Resident Co-ordinators are often not kept fully informed of non-UNDP financed activities implemented by agencies. Nor has it been possible to any significant extent to pursue thematic approaches whereby several United Nations system inputs receive a more coherent focus on the Government's policy priorities. Several

agency representatives stated that they expected UNDP to involve them more systematically in NATCAPs and round-table preparations for which they could provide useful input.

159. Bilateral donors felt that while co-ordination should be in the hands of Governments, both UNDP and agencies have an important supporting role to play in providing relevant country economic and sectoral information which would also allow donors to see their assistance in a broader context. The Resident Representatives' Annual Development Co-operation Report was considered a potentially useful information tool.

3. Regional economic commissions as executing agents

160. The Group visited four economic commissions: the Economic and Social Commission for Asia and the Pacific (ESCAP); the Economic Commission for Africa (ECA); the Economic Commission for Latin America and the Caribbean (ECLAC); and the Economic Commission for Europe (ECE) and discussed with them the field programme they carried out, their general experiences with the implementation of extrabudgetary activities, their internal structure and backstopping capacity, including their use of support-cost earnings. It was clear that all of them were implementing sizeable field programmes on very significant aspects of regional development.

161. Most of the commissions indicated that they had mobilized extrabudgetary funds for field activities for a long time, but that their current role as executing agents of UNDP assistance came about only as a result of General Assembly resolution 32/197 of 20 December 1977, which specifically asked the General Assembly to enable them to function as executing agencies for intersectoral, subregional, regional and interregional projects and in areas which do not fall within the purview of the sectoral responsibilities of specialized agencies.

162. During the current IPF cycle, the Commissions implement about 12 per cent of all UNDP-financed regional projects.

163. Beginning with the planning for the third programming cycle, UNDP has increasingly involved the national planning authorities and the regional commissions in the elaboration of regional programmes. During earlier cycles, the process was mainly between UNDP and the agencies.

Results and impact of regional programmes

164. In spite of these improvements in the programming process, considerable uncertainty exists in some regions and in several countries visited by the Expert Group concerning the impact of regional projects and programmes as well as their monitoring and evaluation. The inadequate link of regional programmes with national government plans and the national UNDP-financed activities was most frequently mentioned. This was most striking for those regional projects which deal with different aspects of economic integration, usually on a subregional basis. In several of the countries visited, little account was taken of regional

issues and programmes in the approach to country programming, nor was there much evidence that regional and subregional concerns were reflected in the framework of round-table or Consultative Group exercises, their preparation or follow-up. All the regional commissions visited and many UNDP Resident Representatives stressed this particular concern.

165. The Group also studied some of the reviews of the inter-country programmes and some of the mid-term reviews undertaken in all regions. One of the mid-term reviews states that the regional programme has achieved mixed results during the first three years of the current cycle; only 11 out of the 34 projects reviewed were considered as having yielded satisfactory results. The same review also speaks about an alarming absence of close and efficient monitoring, meaning particularly an insufficient number of tripartite reviews. These statements tend to confirm the findings of the Expert Group in the field.

166. While this critical assessment may not apply to all regions, it appears on the whole that considerably more in-depth consideration should be given in these evaluations to the impact and the respective roles and capacities of the various executing agents for regional programmes. Criteria for the choice of executing agents, linkages of the regional programmes to national activities and problems related to the sustainability of project results also deserve much greater attention.

167. By taking fuller account of regional issues when programming country IPF resources, it may be possible to achieve greater involvement of sectoral ministries directly concerned with economic integration in technical fields such as transport, communications, research, resources development, trade and industrial policy.

The capacity of the regional commissions for technical and administrative support

168. Three of the regional commissions visited by the Expert Group have identified in their organizational structures separate technical co-operation units whose tasks are normally related to the programming, negotiation, and overall management of their technical co-operation activities, including in some cases related activities such as TCDC and evaluation.

169. Regarding the capacity of the various substantive divisions within the commissions, it appeared that technically the strongest are those units which cover the original and central mandates of the commission e.g., statistics, international trade, finance and macro-economic aspects of development. Similarly, a strong technical basis exists where joint divisions with specialized agencies are maintained particularly with UNIDO, FAO, and in one or two cases the United Nations Environment Programme (UNEP) and the United Nations Centre for Human Settlements (Habitat) (UNCHS). On the other hand, several more recently created substantive divisions do not appear to have achieved the same level of technical strength. Scarcity of staff and lack of qualified candidates to fill vacancies have further aggravated the problem in some of the commissions. This also makes it necessary to focus on limited activities and to excel in them instead of spreading resources too thinly over diverse activities.

170. The impact of regional programme funds appears to have been greatest when the activities supported were fully integrated with the normal programme of the commissions, either vertically through covering certain activities already initiated under the regular programme in greater depth, or horizontally through extending their country coverage.

Co-ordination with specialized agencies

171. Resolution 32/197 singles out "intersectoral" and those "areas which do not fall within the purview of the sectoral responsibilities of specialized agencies and other United Nations bodies" as fields in which the regional commissions should become active. However, what constitutes an intersectoral programme or project has never been properly defined and as a result many grey areas exist where both the regional commissions and the specialized agencies claim to have competence. This has resulted in a certain amount of competition for projects between some regional commissions and the specialized agencies. In designing regional programmes and determining executing modalities, it appears necessary, therefore, to ensure complementarity of the competencies which exist in the system. Some of the regional commissions already follow this approach.

Government execution in regional projects

172. With the rapid expansion of government execution, it is natural to consider its application also for intercountry programmes. Examples already exist, particularly in the ESCAP region, where regional intergovernmental organizations (IGOs) have been acting as executing agents for UNDP-financed regional projects. IGOs in other regions are increasingly also claiming this status and every means should be explored to further promote their participation in this role to enhance self-reliance, reduce costs and contribute to the internalization of the development process.

173. While government execution deserves to be applied also in the regional context, care must be taken that regional project funds do not become a substitute for Member Government's constitutional obligations to support the core budgets of intergovernmental organizations which they have created. This tendency, which already exists in several cases, would make it increasingly difficult to distinguish between intended project results and general institutional support.

Institutional linkages and outreach

174. Significant contributions can be made by a regional programme to the joining up of institutions in particular fields through the network approach. Although this approach is accepted in principle in most regions, it is particularly well developed in the ECE region, where the relatively small European regional IPF made it desirable to pool the contributions of the concerned Governments and institutions and to develop a coherent and interlinked programme.

175. Some of the networks already established in the ECE region as well as the approach itself can be of relevance for developing countries in other regions. Institutional twinning arrangements, which promote the transfer of technology,

standardization of procedures and contribute to greater impact and sustainability of project results deserve special attention in this connection.

The place of regional programme activities in the overall programme

176. The question of what is the best way of delivering technical assistance, which is one aspect of the Expert Group's mandate, also pertains to the balance between national, intercountry and global allocations. Where the development impact of regional activities can be demonstrated, it may become appropriate to change the relative proportions in favour of the regional IPFs if Governments so desire.

177. Maintaining a static proportion between country and regional IPF allocations - uniform for all regions - may not reflect real long-term needs, institutional capacities and the general state of development.

178. In the future, broader issues of regional interdependence and integration could become gradually more important development priorities. Issues transcending national boundaries in the environment, pollution control, the allocation and utilization of scarce water resources, population and refugee movements, trade, debt as well as price and subsidy policies - to name only a few - are likely to gain increasing importance in most regions. A multilateral approach through the United Nations system could prove to be particularly appropriate and effective in addressing these issues.

179. It is possible, therefore, that the need for intercountry allocations may gradually rise and that the relative proportions of country and intercountry IPFs should be kept under continuing review.

180. Clearly, however, under current conditions, the implementation modalities and the impact of regional projects would have to be more convincingly demonstrated before any expansion of this type of activity could be justified.

181. To sum up, it appears that regional programmes require more systematic planning, effective execution and thorough evaluation. At present, their link with national programmes is weak and their impact is often highly uncertain, if not negligible. Co-operation between the regional commissions and the specialized agencies needs to be strengthened and competition between them, which exists in some cases, should be avoided.

4. The tasks and role of UNFPA

Introduction

182. UNFPA is considered separately, not simply because it is under the same Governing Council as UNDP. There are a number of special features, some of which are unique. It is a funding agency with an advocacy role and some involvement in direct execution of some projects. It uses NGOs directly as executing agents. Government execution modality is quite significant in its programme. It pays the usual support cost to executing agents, and at the same time provides for some infrastructure support.

Establishment of the Fund and its purposes

183. The General Assembly decided to establish a trust fund by resolution 2211 (XXI) of 17 December 1966 to promote population planning. Subsequently, the fund was made an independent organization responsible to the Governing Council of UNDP. The growth of UNFPA is remarkable, particularly in light of the fact that resolutions on population programmes, when adopted, were approved by narrow margins in the first decade of its existence. The pattern of growth of the programme is shown in table III.11.

Table III.11. Contributions to the general resources of UNFPA, 1967-1989 a/

(Millions of United States dollars)

1967	1970	1975	1980	1985	1989
0.1	14.9	58.5	125.4	135.9	180.3 a/

a/ Estimated.

184. The aims and purposes of UNFPA are:

(a) To build up the knowledge and capacity to respond to national, regional, interregional and global needs in population and family planning fields, and to promote co-ordination in planning and programming;

(b) To promote awareness of the social economic and environmental implications of national and international population problems, the human rights aspect of family planning, and of possible strategies to deal with them;

(c) To extend assistance to developing countries at their request;

(d) To play a leading role in the United Nations system in promoting population programmes and to co-ordinate projects supported by the Fund.

Operations of UNFPA

185. Tables III.12 and III.13 give an indication of the programmes the Fund supports, and the executing agents it uses.

Table III.12. The major programme activities of UNFPA in 1988 a/

(Millions of United States dollars)

Programme area	Resources	Per cent of total
Family planning	87.0	51.5
Basic data collection	15.0	8.9
Utilization of population data and research	31.7	18.9
Information, education and communication	26.1	15.5
Women, population and development	4.3	2.5
Special programme activities	1.6	1.0

a/ Preliminary expenditure figures.

Table III.13. Allocation by Governments, executing agencies and organizations, 1987-1989

(Millions of United States dollars)

	1987	%	1988	%	1989	%
Government	30.2	26.9	27.1	16.3	46.4	20.1
NGOs	10.5	9.3	19.2	11.6	23.6	10.2
UNFPA	17.3	15.4	33.9	20.4	36.1	15.6
UNICEF	0.4	0.4	0.2	0.1	0.09	-
UNEP	0	-	0.03	-	0.1	-
OPS	0.8	0.7	1.1	0.7	1.8	0.8
United Nations offices	-	-	0.9	0.5	1.6	0.7
DTCD	13.3	11.7	22.9	13.8	36.4	15.8
ILO	5.7	5.0	10.2	6.1	15.6	6.8
FAO	0.9	0.9	3.3	2.0	6.8	2.9
UNESCO	6.6	5.9	10.1	6.1	17.9	7.8
WHO	19.4	17.3	29.3	17.6	34.2	14.8
UNIDO	0.04	-	0.006	-	0.005	-
Reg. Com.	7.3	6.5	7.9	4.8	10.1	4.4
	112.5		166.2		230.7	

186. UNFPA follows the partnership concept that governs the relationship between UNDP and the specialized agencies, and United Nations organizations. All the larger United Nations agencies act as executing agents for UNFPA projects. DTCD and UNFPA itself are also important as executing agents. During the field visits, it was noted that both technical backstopping and administrative support by agencies were considered poor, while the evaluation of projects by agencies was almost non-existent. UNFPA headquarters as well as UNFPA field staff were in some instances kept completely in the dark about implementation by the designated agencies.

187. UNFPA uses NGOs as executing agents for its projects. There are a number of NGOs with great competence in population activities. The International Planned Parenthood Federation (IPPF), the Programme for the International Application for Contraceptive Technology (PIACT), the Centre for Development and Population Activities (CEDPA) and the Population Council are, for instance, all very competent in population programmes. These NGOs have proved to be fast and effective, and have shown the highest standard of performance in executing UNFPA projects. However, NGOs, including indigenous NGOs, execute only a modest part of the UNFPA programme. Generally, NGO performance is well appreciated in the field.

188. UNFPA has a number of projects under government execution. In these projects, the involvement of the field staff is quite heavy, and a great deal of administrative and accounting support is provided by the UNDP field mission.

Support-cost arrangement

189. UNFPA follows the UNDP practice of paying 13 per cent support cost to agencies for executing UNFPA projects. In addition, it finances posts in the specialized agencies and the regional commissions in order to strengthen their expertise in population matters. Those who occupy these posts perform the function of regional adviser when stationed in the developing countries and of interregional adviser when stationed in the headquarters of the agencies.

190. The reaction of Governments on the performance of the regional advisers was mixed. They, however, expressed a clear preference for having the benefit of a UNFPA country representative instead of a regional adviser. This is particularly so because in dealing with population problems it is very important that representatives should get thoroughly acquainted with the population problems of the country, and should become familiarized with the cultural environment in which he or she has to operate.

191. The most recent figures available show that there are 34 regional advisers posted in the regional economic commissions, 47 in agency field offices and 42 interregional advisers located in the headquarters of the specialized agencies, the United Nations population division and DTCD. This means that in addition to the support-cost reimbursement, UNFPA provides infrastructure support to the agencies by paying the salaries of these 123 posts. However, CIDA shares part of the burden of UNFPA as far as interregional advisers are concerned.

NGOs and support costs

192. With each NGO, UNFPA negotiates separately the amount of support cost they have to pay. Some NGOs do not receive support cost at all while others ask support-cost reimbursement as high as 18 per cent. However, on an average UNFPA pays less than 13 per cent.

193. The Group concludes that UNFPA must improve the quality and speed of its delivery. The programme is still fighting an uphill battle to enhance world-wide and general awareness of population issues. It, therefore, should be given a free hand in choosing its executing partners on the basis of quality of performance and cost-effectiveness. NGOs are performing satisfactorily at lesser cost. Moreover, the Group feels that it is worthwhile to study more closely whether the system of regional and interregional advisers meets the objectives set for them and the standards of effectiveness.

C. Funding of technical co-operation programmes

1. Trends in funding

194. Initially bilateral donors and the United Nations system covered virtually all technical co-operation activities, which were essentially financed by grant funds. As the World Bank became a provider of development finance, it started earmarking some of its loans and administrative expenses for technical assistance. The way in which technical assistance is provided by the Bank has been noted in chapter II. Starting with modest loan funds for technical co-operation, the Bank began a grant programme in 1961, which continued to be a small programme for a while. In the 1970s, however, the Bank's technical assistance programme expanded substantially.

195. During the same period, bilateral technical co-operation programmes also expanded significantly. In 1964, total technical co-operation expenditure was only 12.5 per cent of ODA aid flow from DAC; today it represents about one third of total ODA. The change in the provision of funds for technical co-operation between 1968, when the Capacity Study was undertaken, and in 1987 is as follows:

Table III.14. Technical assistance expenditures, 1968-1987

(Millions of United States dollars)

	Total DAC	United Nations system	Regular budget	UNDP	Extrabudgetary	World Bank
1968	1 481	239	39	180	20	38
1987	8 553	1 709	320	789	600 a/	1 223

a/ Includes UNFPA and IFAD technical co-operation funds but excludes resource flow from UNICEF, WFP, UNHCR, UNDRO, UNRWA. (Pearson Report 1969, p. 386; Jackson Report, p. 487, tables 6, 11 and 13; DAC Report 1988, p. 196; Economic and Social Council document A/44/324/Add.1-E/1989/106/Add.1 entitled Comprehensive statistical data on operational activities for development for the year 1987, pp. 37 and 38.)

196. It will be observed that in 1968, UNDP provided 12 per cent of total DAC technical assistance flow when the multilateral share was only 18.7 per cent. In 1987, the multilateral share went up considerably, to over one third of the total, but the UNDP share declined to only 9.2 per cent. In 1968, other members of the United Nations system, exclusive of the Bank, claimed only 1.3 per cent of the DAC total as against 7 per cent in 1987.

197. Despite the enormous growth in bilateral technical co-operation, multilateral aid plays a crucial role in the developing countries. It should also be noted that for some countries, technical co-operation from the United Nations system is the only multilateral technical assistance they can afford. Grant funds have a special role in institution-building and upgrading human skills and capacity.

198. Notwithstanding complaints about the efficiency and speed of delivery, the quality of experts, the lack of impact of micro projects, and the cumbersome bureaucratic procedures, the technical co-operation programmes of the United Nations system are on the whole highly valued. Bilateral donors also seem to appreciate their strength and some consider it a reference point for checking the validity of their programmes and policies for technical co-operation.

2. Central funding concept

199. UNDP is no longer the major source of multilateral technical co-operation funds. The Capacity Study made a case for central funding but, perhaps in view of the difficulties, indicated only a gradual move towards this objective. However, it assumed substantial expansion in core resources of UNDP. In fact, developments took the opposite direction towards growth of resources at the disposal of other agencies, notably the World Bank.

200. The current situation in respect of funding of technical co-operation is as follows:

(a) The United Nations system started as the largest source of technical co-operation funds; however, bilateral aid is now about three times total multilateral aid;

(b) Within the United Nations system, UNDP was by far the largest source up to the early 1970s. The World Bank and other development finance institutions now provide as much technical assistance as the rest of the entire United Nations system, although the World Bank provides much of its assistance in terms of loans;

(c) Extrabudgetary resources, mainly trust funds, and regular budget allocations formerly financed only about one fourth of operational activities of United Nations organizations and agencies; they now finance over half of such activities.

201. This change in the funding picture has been caused by a number of factors. The technical co-operation programme of the Bank has grown with the expansion of its capital assistance programme. The relationship between flow of investment resources and resources for skills upgrading and institution-building has further contributed to this growth. Donors have also chosen to channel more resources through the Bank.

202. The expansion of direct funding of operational activities of the United Nations specialized agencies has occurred as a result of the reasons discussed in chapter II. They may be summed up as follows:

(a) Donor preference for trust funds and multi-bi programmes which meet their priorities and development objectives;

(b) Agency solicitation of funds directly from donors, partly in order to protect themselves against the uncertainty of flow from UNDP;

(c) Recipient pressure for new funds to provide for additionality of resources. There is no clear evidence, however, that this expectation has been realized.

203. The absence of a substantial central funding role for UNDP has had a number of adverse effects:

(a) The country programming concept was successfully implemented but it did not fulfil all expectations. For various reasons which are discussed in chapter IV, it could not be a frame of reference for the United Nations system input;

(b) Programmes tied to specific objectives or sources of supply weakened the neutrality and untied nature of multilateral assistance;

(c) As all agencies had their own funds and UNDP ceased to be the largest source of multilateral aid, the partnership concept was considerably weakened;

(d) Agencies became more involved in resource mobilization and project execution, thus neglecting their other mandated functions;

(e) Above all, the proliferation of funds in turn emphasized the micro-project approach to the delivery of technical assistance. This adversely affected the efficiency of project management, the capacity for technical backstopping, and the sustainability and lasting impact of projects and their outputs.

204. In an effort to mobilize additional resources and help developing countries to utilize aid funds, UNDP initiated the Management Service Programme in 1984. The bulk of management service is for funds of bilateral donors donated to specific countries or programmes. From 0.1 million in 1984, the total bilateral funds for which UNDP has provided management services grew to $51.9 million in 1988. Funds tied to sources of supply, which could erode multilateralism, are also being handled by some other agencies in their trust fund or multi-bi programmes.

205. The current authority provided to UNDP by its Governing Council stipulates that such services can be undertaken without impairing the capacity for handling the core resources and on the basis of realizing the full cost of the services. At the current level of operations, it is considered that there is no danger of damage to the multilateral image.

206. The overall position is that despite the many resolutions reiterating the central funding concept, there has not been a genuine effort at realizing the concept in the United Nations system. There has, nevertheless, been a shift towards an increase in multilateral technical co-operation funds, a large part of which, however, has expanded the programmes of development finance institutions such as the World Bank. The trust funds of the agencies and management services of UNDP have at the same time captured a share of this shift for the United Nations system.

207. A substantial expansion in multilateral funds for technical co-operation is not likely to materialize in the near future. Nevertheless, there may be some reallocation of resources within the overall availability of funds. It also does not appear realistic to foresee a reversal of the current trend of diversity in funding modalities.

208. The Group further reiterates that the predictability of resources for a programming cycle through multi-year pledging of voluntary contributions (i.e., five years) is highly desirable.

IV. ARRANGEMENTS FOR PROGRAMMING TECHNICAL CO-OPERATION AND ALTERNATIVE EXECUTION MODALITIES

209. The issue of programming and programme management has been broadly discussed in the preceding chapters. This chapter is devoted specifically to country programming, the programme approach and programme implementation through various modalities.

A. Country programming

210. Country programming has been the subject of many studies and discussions in the various forums of the United Nations system. The Consensus resolution [2688 (XXV)] of 1970 stipulated that the country programming process should enhance the co-ordination of all United Nations assistance to a country. The country programme concept requires that the programmes of individual countries be based on national development plans or priorities. There is sufficient evidence that country programmes have done so, though in varying degrees. General Assembly resolution 32/197 of 11 December 1977 also envisaged that, at the country level, the country programme was to serve as a frame of reference for the operational activities carried out and financed by organizations of the United Nations system from their own resources.

Programming problems in the United Nations system

211. Recent studies have highlighted some of the problems which have made system-wide programming difficult. These are:

(a) Different programme cycles, criteria and procedures in agencies, which have hampered even harmonization and joint programming at the country level within the framework of the JCGP;

(b) Lack of coherence among agencies, partly as a result of their mandates and different sources of financing;

(c) Proliferation of funding sources, for example, agency trust funds, UNDP-administered funds;

(d) Provision of a rather limited volume of resources compared with the needs of countries.

212. The Group notes that these problems have persisted and can only be detrimental to those countries in which the need of the services of the United Nations system is most compelling. It is the view of the Group that governing bodies have an urgent and important task in seeking the resolution of these problems.

Future arrangements

213. In the future, the preparation of the country programme should be the direct responsibility of the Government. Programmes should be presented to the UNDP Governing Council by the Governments together with the Administrator. Recognizing, however, that technical assistance planning has been traditionally the weakest part of government plans, the United Nations system has a great responsibility in assisting Governments in building up the required information base on technical assistance needs and in facilitating the application of the frame of reference concept.

214. A more comprehensive assessment than in the past of technical co-operation needs should be the starting point, although no uniform or standard practice can be applied to all countries. The nature of the exercise to be undertaken in countries at similar stages of deyelopment may differ considerably from country to country. For some countries needing highly sophisticated and specialized input in specific fields of expertise or institution-building, a country programme may represent a small list of specific interventions. In others, a country programme may cover a few sectors only.

215. Government-led needs assessment exercises, such as NATCAPS, will be very important instruments which call for the co-operation of UNDP field offices, agencies and the World Bank. Up to now, such co-operation has not been sufficient. In quite a few countries, comprehensive needs assessments as well as an inventory of resources may have to be made for the preparation of an overall country programme. Further, sector and subsector profiles will be prerequisites for comprehensive country programming.

216. The country programme which is submitted to the Governing Council will present the priority sectors and subsectors from the country's development programme and focus on those areas of intervention in which the Government considers United Nations assistance to be most appropriate. Individual projects to be financed within the country programme will be agreed upon between the Government and the Resident Co-ordinator.

217. For the success of the country programming process, the United Nations system should make stronger efforts to harmonize their own programming cycles with those of the recipient country planning periods. There is also a case for bilateral donors to make such an effort.

B. The programme approach

218. External assistance, in general, has been channelled through projects. There is a growing recognition that in technical co-operation in particular, this approach has not been sufficiently effective, nor has it produced sustainable impact. This is particularly the case for LDCs and low-income countries. Project proliferation has led to the scattering of resources on many activities, straining the capability of Governments to service them and the capacity of the United Nations system to manage and technically backstop them.

219. It is expected that Governments will opt more and more for the programme approach in the future. In fact, the Group feels that this approach is inevitable because it allows Governments greater flexibility in the management of their own programmes and in the use of resources. This approach also permits Governments to strengthen their capacity to undertake structural adjustment measures and to improve overall economic management. These measures involve composite projects or programmes of activities linked by specific objectives.

220. It is necessary that in programming available resources more emphasis be placed on sectoral, subsectoral and thematic programming rather than on the project-by-project approach. This way, country programmes will no longer be an agglomeration of a number of free-standing projects. There will be a few programmes or composite projects linking diverse activities and discrete interventions under specific macro-economic or subsectoral objectives. This will require close co-ordination at the country level between UNDP and agencies and among the agencies themselves, so that inputs of the United Nations system are provided in a coherent manner.

221. Since countries are at varying stages of socio-economic development, their technical capacity and needs naturally differ. In the middle-income countries, where technical assistance is provided mainly to fill critical gaps, a project-by-project approach may remain desirable. On the other hand, in the LDCs and low-income countries, a programme or sectoral approach will be more suitable to ensure sustainable impact and effectiveness. In many of these countries, technical assistance planning must be based on a longer time horizon if a lasting impact is to be achieved. Intensive reviews and consultation as the implementation of the programme proceeds are integral parts of the programme approach. The arrangements for these processes could vary for specific groups of countries.

222. The use of a programme approach as opposed to a project approach should be decided on a country-by-country basis. In the final analysis, Governments themselves decide which approach is more relevant to their needs and priorities.

223. The programme approach must give special attention to programme development and programme management. In programme development, UNDP and agencies will be required to assist the Government in all possible ways. A programme will require an implementation plan and appropriate strengthening of management arrangements. The Government will have to designate sufficiently senior personnel to take full responsibility for programme implementation and with authority over major actions and direct access to higher decision-making levels of the Government. Wherever necessary, the management should be provided with an operations manual which will, inter alia, include financial and reporting guidelines. In strengthening this management arrangement, the UNDP field mission will be required to play an important role, both by providing training and by supporting the manager.

224. The Group feels that decentralization of processes and decision-making to the field would streamline and accelerate the formulation and approval of programmes and projects. The Group considers that UNDP and the agencies should further

decentralize authority to their field offices for the formulation, approval and implementation and monitoring of projects, including out-posting of operational staff in order to make the country office the true centre for the management of the entire programme. This would permit their headquarters to concentrate more on broader programme-related substantive work, including policy guidance, inspection and evaluation, sector studies, analysis of field reports and feedback of experience.

225. The Group is of the view that under no circumstances should a headquarters review process become another bottle-neck in the way of speedy response to government needs. Reviews by headquarters on a selective basis should, however, remain an integral part of a sound management process.

226. Considering the highly differentiated needs and circumstances of the large number of developing countries, it would be more appropriate if the United Nations system rules and procedures were to be simplified and cast in terms of broad frameworks for application and interpretation at the local level. This approach would more genuinely reflect the varying country needs and place decision-making responsibility into the hands of the local management team under the leadership of the Resident Co-ordinator.

C. Government execution

Introduction

227. Agency execution has been fully discussed in chapter III. This section examines in greater detail some of the executing modalities which were not previously covered. The Group studied the manner in which International Fund for Agricultural Development and the World Food Programme (WFP) executed their programmes but concluded that their practices were too specific to the tasks which they performed so that they may not have direct applicability for the rest of the United Nations system. The Group noted that both IFAD and WFP, like the World Bank, rely heavily on government execution.

228. The increased use of some modalities in the execution of projects has, however, given rise to issues related to mandates. The most contentious modalities seem to be direct execution by UNDP and government execution. Under the existing system of support-cost reimbursement, the agencies contend that the growth of direct and government execution in implementing UNDP-funded projects has adversely affected their financial situation and impinged on their areas of expertise.

Definition

229. UNDP defines government execution as an arrangement whereby it entrusts to a Government the responsibility for the mobilization of UNDP inputs and their effective application in combination with Governments' own and other resources towards the attainment of the project's objectives. Although there might be some variations in interpretation, the concept and modality clearly establish the Government as responsible for all phases of implementation.

230. Introduced in 1976, government execution made a hesitant start. Only after 1982 did it start receiving greater attention. A number of reviews have since been carried out, which the Group consulted. On the whole, the Group observed that the promotion of government execution has left much to be desired. The role of the agencies in this project execution process has not been clearly defined. Complicated accounting procedures have impeded its growth. Weaknesses in the project management capacity of recipient Governments have stood in the way and partly accounted for too many small projects under government execution. The add-on funds initially boosted government execution but they have been used too sparingly to strengthen the capacity of the recipients. Nor have they promoted the much needed training programmes for national project personnel.

Ongoing government-executed projects

231. At the end of September 1989, there were 846 ongoing government-executed projects (including three interregional and global projects) with a total IPF of $338.9 million and $177.8 million in cost-sharing in 112 countries: 31 countries in Africa; 29 in Asia and the Pacific; 8 in the Arab States; 8 in Europe and 32 in Latin America and the Caribbean (see table IV.1). Government-executed ongoing projects were 13.9 per cent of total UNDP ongoing projects. The value of government-executed ongoing projects, including cost-sharing, was 11.3 per cent of total UNDP ongoing projects. Of the 846 projects, only 85 or 10 per cent were for $1 million and above, while 50 projects or 6 per cent were between $700,000 and $1 million.

Table IV.1. Ongoing government-executed projects as at 30 September 1989

Region	Projects No.	Projects %	IPF $m.	IPF %	Cost-sharing $m.	Cost-sharing %	Average size of projects $m.
Total	843	100	338.9	100	177.8	100	0.61
Africa	194	23	102.4	30	3.7	2	0.55
Asia and the Pacific	242	29	138.1	41	24.3	14	0.67
Arab States	44	5	15.6	5	4.6	3	0.46
Latin America	344	41	79.2	23	145.0	81	0.65
Europe	19	2	3.6	1	0.2	..	0.20

232. The largest number of government-executed projects are in development strategies, policies and planning sector, which has 178 projects with a total IPF value of $63.3 million. In Africa, concentration is in the agriculture, public administration, forestry and education sectors, with 49 projects valued at $35.3 million. In Asia and the Pacific, there are 47 projects valued at $49.6 million in the sectors of energy, industrial development, and development and transfer of technology. Latin America concentrated on development and transfer of technology, agriculture and public administration. In the Arab region, the main thrust is in the land and water sectors.

233. In the 17 countries visited by the Group, there was a wide variation in the level of government-executed projects. The use of resources (UNDP plus cost-sharing) devoted to government execution of ongoing projects as a percentage of total expenditure on all ongoing projects is shown below. Cost-sharing was significant in only four of the countries.

Per cent range	No. of countries
Less than 0.1	2
0.1 - 9.9	8
10.0 - 14.9	2
15.0 - 33.9	2
40.0 and over	3

Government execution in practice

234. In most capital assistance projects, government execution has been in use for a long time. The World Bank projects are executed by Governments under detailed guidelines and close supervision. Usually, supervision is exercised in four areas: procurement; construction; start-up; and management. This is carried out through a system of reports, field missions and assignment of consultants with predetermined responsibilities. In projects executed by an agency or the Office for Projects Services (OPS), almost all responsibility rests with the executing agent. The Government usually provides a national project manager.

235. Depending on the capability of a Government or its agency responsible for execution in a particular sector, a Government may decide which elements in a project cycle it will execute directly. A project cycle involves project identification, preparation, appraisal, implementation, monitoring and supervision, evaluation and follow-up. Identification is usually made at the programming stage and in this process both the donors and the recipients interact.

236. Government execution can be undertaken by a Ministry or Government Department or by a public organization such as universities, research institutes, public or parastatal corporations or NGOs. It is for this reason that the modality should more appropriately be called national execution, as indeed it is now being referred to. The executing agents may directly execute certain components of the project cycle, or they may delegate execution of some components to agencies or OPS.

237. Government execution is used in various ways. In one country, the dominant factors were buying equipment and the appointment of consultants; for others it meant mainly that the various ministries identify and formulate projects with the help of an agency or UNDP, after which an agency executes a project.

Government preference for the modality of government execution

238. In general, Governments choose this modality mainly for the following reasons:

(a) When they know where to obtain the expertise and equipment required, they consider it unnecessary to involve agencies and find it less expensive to do it themselves;

(b) Some Governments believed that their technical competence in executing some projects is equal to, if not better than, that of the agencies. Moreover, it is generally felt that government execution promotes indigenous capability, since it provides opportunities for learning by doing;

(c) Government execution creates a greater commitment to the project and ensures its sustainability. It is also a matter of national pride and self-reliance to be able to execute projects without agency assistance. Moreover, this modality prevents the perpetuation of agency involvement or expert assignment;

(d) Governments have greater control over institutions to which a project or its parts are contracted and the modality tends to maximize the utilization of local expertise and indigenous institutions and technologies;

(e) Government execution makes possible a better appreciation of the environment in which a project is executed and very little time is wasted on the orientation of project management staff. It also eliminates the scope for any conflict between expatriate experts and national counterparts;

(f) In plurisectoral projects, which are increasing in number, Governments find this modality a useful option for co-ordination. Inputs from various sources both from the United Nations system as well as from outside are co-ordinated better without giving rise to jurisdictional disputes or leadership conflicts.

239. Some Governments realistically pointed out that they did not yet have the technical expertise and would continue to resort to the agencies until national expertise becomes available.

Agencies reaction to government execution

240. Agencies agree in principle that government execution is desirable. Some of the main comments received from the agencies which the Group consulted were:

(a) Advice and support furnished by the UNDP field offices, headquarters and OPS to Governments should really be provided by the agencies; but Governments were reluctant to formalize co-operating agency arrangements since significant support could be obtained from UNDP at a minimal cost;

(b) A more gradual and careful approach towards this modality was called for in the light of accounting and reporting problems;

(c) Some agencies felt they should be involved in government execution in the planning stage and monitoring role in order to enhance standardization in many technical areas;

(d) The decision on whether a project should be executed by the Government should be reviewed by the Government, UNDP and the agency concerned.

Donor reaction to government execution

241. While agreeing with the concept of government execution, a few of the donors which the Group consulted felt that UNDP should proceed with this modality with caution since countries were at varying stages of development and all of them would not have the technical capacity to undertake the execution of their own projects.

The UNDP field office and government execution

242. As explained in previous chapters, the work-load of the Resident Representative's office will increase considerably. This should be met by strengthening the field office. The Resident Representatives of the countries which the Group visited confirmed that the work-load of their offices had increased as a result of the government execution of projects. This was because the field office was usually required to do a number of jobs which Governments could not discharge satisfactorily. The extra services usually provided by the field offices involved the disbursement of funds, accounting, monitoring and reporting, and occasionally even administrative support. In most cases, it was maintained that accounting or reporting requirements could not be fulfilled by Governments because of their lack of familiarity with UNDP rules and procedures. There were also complaints about too elaborate reporting obligations and too heavy audit requirements.

243. In order to rectify these problems, it will be necessary for UNDP to examine the possibility of simplifying its reporting requirements and financial rules with respect to government execution. The UNDP field office will be required to intensify training courses to strengthen the capacity of Governments, with special emphasis on project management and administration and on United Nations system accounting and reporting procedures. Provision should therefore be made in the administrative budget to carry out these activities so that these objectives can be achieved.

The future of government execution

244. The last session of the Governing Council stressed that government execution should be the ultimate modality for all UNDP-supported projects. This decision is, in effect, a reiteration of previous Governing Council and General Assembly decisions on the use of this modality to promote the long-term goals of government and to achieve self-reliance. The points at issue are:

(a) Whether or not most existing UNDP financial rules and administrative procedures are designed to accomplish these objectives in as short a time as possible;

(b) The effect which this modality will have on the future role of the agencies.

245. The Group notes the procedural requirement that decisions on executing arrangements for government-executed projects must be referred to UNDP headquarters. Procedurally, not de facto, this is also a requirement for all other projects. In making a decision on an executing arrangement, the pre-conditions are normally the adequacy of the capability of a Government or an executing agency/agent and, in the case of government-executed projects, the need to consult the agency with the required competence in the field and secure its inputs where necessary. These pre-conditions can be fulfilled in the field and do not warrant the intervention of headquarters. There seems to be no valid reason why the Resident Representative should not have authority to decide on executing arrangements for all projects. The Resident Representative can continue to seek assistance from headquarters if doubts arise regarding the competence of the Government concerned, or if there is disagreement on agency input in a project, or for any other valid reasons.

246. It is only natural to assume that many Governments have developed project management capacity to the extent that they do not need agency involvement, at least for administrative support for project execution. It is also reasonable to expect that countries have acquired technical skills in some areas where in the past they relied on agency input. Consequently, the promotion of the modality of government execution will reduce the scope for agency execution of projects. However, agency input will be required in terms of other services, as discussed in this and other sections of the chapter. It is therefore essential that greater emphasis should be placed on joint appraisal, monitoring and evaluation of projects. The United Nations system should be ready to assist Governments in these phases of the project cycle or undertake them as requested by Governments.

247. It should, nevertheless, be observed that government execution does not indicate a better performance in input delivery than that of other modalities. However, since the modality is in its teething phase, this should not be counted against it. Its great advantages lie in the promotion of self-reliance and sustainability of project results.

D. Direct execution by UNDP

248. The Office for Project Execution (OPE), renamed Office for Project Services in 1988 to reflect more accurately the nature of its activities, was established by the Governing Council to enable UNDP to respond to situations requiring special action and to those necessitating a more rapid response than was normally available through the United Nations system. It was envisaged that technical co-operation projects executed by OPE would include the following categories:

(a) Interdisciplinary and multi-purpose projects;

(b) Projects which did not fall within the competence of any individual agency;

(c) Individual projects which required general management and direction rather than expert sectoral guidance;

(d) Projects to which UNDP could bring assistance in the form of practical financing or investment follow-up arrangements.

249. OPS has been under close scrutiny by the agencies and the Governing Council and in other forums because of the expansion of its services and the controversy surrounding its raison d'etre.

250. A study undertaken on OPE activities by the Joint Inspection Unit (JIU) in October 1983, addressed the two main areas of controversy, namely the expansion of the Office and the claim by the agencies of UNDP encroachment on their sectoral competence. The Governing Council rejected the recommendation by JIU for new terms of reference for UNDP direct execution but agreed to act on the recommendation that it should examine the procedures used by the Office.

251. The Consensus resolution, while preserving the principle that first recourse should be to the accumulated technical experience of the United Nations system, also recommended increased use of governmental and non-governmental institutions and firms existing outside the United Nations system. UNDP would normally use these services through subcontracts.

252. OPS now provides project services with resources from the following funding sources:

(a) UNDP funds from IPFs and Special Programme Resources (SPR);

(b) UNDP-administered funds;

(c) UNDP trust funds;

(d) Multilateral funds for UNFPA and UNFDAC projects;

(e) Management services (for IFAD, World Bank, IDB, donors and Governments).

It also acts as loan administrator for projects financed by IFAD; participates as co-operating agency for government-executed projects; provides services to borrowers from the World Bank and IDB in support of public sector management, etc.; serves as procurement or certifying agent for countries with funding from Japan under management service agreements; manages, on behalf of recipient Governments, large construction and service contracts funded from special donor contributions; provides administrative and logistic support to implement NaTCAPs, round-table and Consultative Group meetings; co-ordinates integration and rehabilitation programmes for displaced and returned refugees in Africa and Central America, mostly funded under a cost-sharing arrangement with the Government of Italy.

Management services

253. In 1983, the Administrator made a proposal to the Governing Council to consider providing management services to Governments as an additional means of providing assistance to developing countries. This was one of the proposals made in the context of measures to mobilize increased resources for UNDP on an increasingly predictable, continuous and assured basis.

254. The proposal envisaged services which would use agency expertise wherever appropriate and where the recipient and donor Governments agreed, covering perhaps just one or more of the elements in the process. The services envisaged included:

(a) Management, in whole or in part, of projects on behalf of the donors and the recipients;

(b) Elaboration of project or programme proposals, including project identification, and formulation of project documents;

(c) Assistance in the provision of inputs to projects, e.g., advice or assistance in the recruitment of personnel or procurement of equipment and supplies;

(d) Logistic support, e.g., customs clearance, dispensary facilities, clerical or transportation assistance; and

(e) Monitoring or supervision of projects.

255. The Council agreed that the provision of such services should not be allowed to erode the central multilateral character of the Programme and that the activities would remain marginal to Government contributions, core resources and the work of implementing the UNDP programme, and would not entail any financial implications for UNDP.

OPS activities

256. Projects executed by OPS from UNDP core funds increased from 6.7 per cent in 1984 to 9.5 per cent in 1988 (see table IV.2).

Table IV.2. OPS expenditure from UNDP funds, 1984-1988

	Total UNDP field programme activities (millions of dollars)	Expenditure by OPS (millions of dollars)	Percentage
1984	532.6	35.7	6.7
1985	571.7	41.9	7.3
1986	689.2	57.4	8.3
1987	702.1	63.7	9.1
1988	831.7	79.3	9.5

257. OPS also executes projects from funds and programmes administered by UNDP as well as programmes from trust funds established under the authority of the Administrator. In 1988, OPS executed projects valued at about 36 per cent of these funds.

258. During the period 1984-1988, OPE/OPS expenditure was as follows:

Table IV.3. OPE/OPS expenditure for various institutions, 1984-1988

	1984		1985		1986		1987		1988	
	$M	%	$M	%	$M	%	$M	%	$M	%
UNDP core funds	35.7	54	41.9	49	57.4	46	63.7	41	79.3	39
Other UNDP funds	24.5	37	28.4	34	33.2	26	33.3	21	38.0	19
Multilateral	2.3	3	4.1	5	5.5	4	7.5	5	16.2	8
Subtotal	62.5	94	74.4	88	96.1	76	104.5	67	133.5	66
Management services										
IFAD	0.3	1	0.2		0.3		0.4		0.3	
Gvt. and donors	0.1		8.9	11	27.8	23	44.1	28	51.9	26
World Bank and IDB	3.6	5	1.3	1	1.6	1	6.7	4	15.3	8
Subtotal	4.0	6	10.4	12	29.7	24	51.2	32	67.5	34
Grand total	66.5		84.8		125.8		155.5		201.0	
Delivery rate (%)	NA		66		81		75		79	

259. The statistics relating to OPS activities in inter-agency agreements and on government-executed projects on behalf of Governments were as follows:

	Inter-agency agreements		Govt.-executed projects	
	Number	$ Million	Number	$ Million
1986	36	3.3	8	1.6
1987	30	1.0	23	8.1
1988	43	3.1	15	3.8

260. During 1988, OPS spent $201 million on 1,184 projects, of which $67.5 million for 93 projects was for management services and 755 projects costing $79.3 million from UNDP core funds. The majority of projects executed from the UNDP core funds lay in the categories of general development issues, policy and planning, followed by agriculture, forestry and fisheries.

261. In the management services category, 83 per cent of the expenditure was in the general development sector as a result of the rehabilitation programme funded by the Government of Italy.

262. Although UNDP core funds provide the main source for OPS expenditure, its relative share has been declining.

263. OPS project expenditure by components is given in table IV.4. UNDP core funds are expended mainly on personnel and subcontracts, UNDP-administered funds on equipment and management services, principally on subcontracts.

Table IV.4. Percentage of OPS project expenditure by component, 1984-1988

	1984	1985	1986	1987	1988
Subcontracts	40	30	40	48	41
Personnel	22	24	23	23	26
Equipment	28	37	28	19	23
Training	4	4	4	4	5
Miscellaneous	6	5	5	6	5

264. The use of management services by the development banks and Governments has steadily increased since the inception of this facility, rising from $3.7 million in 1984 to $67.2 million in 1988. While the number of projects executed on behalf of IFAD has increased, there has been a decline in the amounts disbursed since 1986 (see table IV.5).

Table IV.5. Management services disbursements, 1984-1988

Year	Development banks		Bilateral donors		IFAD a/		Total	
	Number of projects	$M	Number of projects	$M	Number of projects	$M	Number of projects	$M
1984	3	3.6	3	0.1	9	14.2	15	17.9
1985	5	1.3	6	8.9	14	19.7	25	29.9
1986	9	1.6	8	27.8	18	39.8	35	69.2
1987	21	6.7	12	44.1	29	36.6	62	87.4
1988	26	15.3	29	51.9	35	29.2	90	96.4

a/ Amounts drawn down from IFAD loans.

265. At the end of 1988, OPS was managing 98 projects under management services agreements, with a total value of $302.7 million; $13.5 million on behalf of IFAD; $72.7 million for development banks; $210.7 million for bilateral donors; and $5.8 million Government-funded. The main bilateral sources of funding were Italy ($183.5 million) and Japan ($18.2 million).

266. The services provided by OPS under management services agreements vary according to the sources of funding. Services for the World Bank usually involve the technical assistance components of structural adjustment loans, or free-standing technical assistance loans; however, for the other development banks, a wide range of activities is carried out, with OPS delivering all or a combination of inputs.

267. Bilaterally funded projects tend to comprise a full range of services in the procurement of project inputs, with Governments relying heavily on the involvement of both OPS and field offices. In general, these donors place restrictions on the procurement of inputs.

268. The involvement of the agencies in the execution of these projects is very limited. OPS has stated that in part, this a result of the character of these projects, which are often multisectoral and call for management direction rather than technical inputs; in part, negotiation of special support costs rates to be paid to the agencies has not been conclusive.

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Other OPS activities

269. At the end of 1988, OPS had entered into new subcontracts totalling $47.6 million, compared with $71.1 million in 1987. Ten million was not tied to procurement from donor countries, of which the developing countries took an 18 per cent share. However, $9.0 million was tied to procurement from donor countries. During 1988, OPS engaged the services of 35 NGOs for projects costing $15.6 million and subcontracts valued at $13.0 million were given to international institutions.

270. Of the 1,486 international experts and consultants employed by OPS in 1988, 42 per cent was from developing countries, compared with 39 per cent in 1987. In 1988, a total of 1,183 national professionals were employed by OPS, compared with 518 in 1987.

271. The number of United Nations volunteers serving as project personnel under OPS-executed projects was 52 at the end of 1988, compared with 11 in 1983.

Observations

272. The main criticisms made against OPS activities are:

(a) It does not have technical backstopping and accumulated specialized expertise to apply to projects which it executes;

(b) UNDP should concentrate on its principal role and should not encroach on the mandates of agencies through OPS;

(c) In executing projects, it appears OPS sometimes goes beyond its mandate and takes up projects which agencies can execute with greater competence, such as in agriculture or rural development;

(d) OPS use of subcontracts makes project execution more expensive than that under agency execution;

(e) OPS charges 11 per cent for executing projects; agencies consider that this has led to unfair competition.

273. In answering these criticisms, UNDP contends that:

(a) Some agencies are not as technically competent as they should be;

(b) Subcontracting projects to private enterprise usually results in faster implementation than that by agencies and on the whole it is not more expensive than agency execution through the use of experts;

(c) UNDP consults agencies when OPS execution is envisaged and ensures that OPS is not unduly involved when an agency can provide the service required;

(d) OPS does not have its own technical competence and therefore does not threaten or undermine the use of the specialized knowledge of agencies;

(e) There is no evidence to suggest that management services agreements have impinged on the multilateral character of the UNDP programme or that they have adversely affected contributions to UNDP core resources;

(f) UNDP accepts management services only if requested by Governments or donors; support cost charges are adequate to cover fully the costs of providing such services;

(g) The lower OPS rate of support is justified because its services do not call for much technical backstopping.

274. The operation of OPS has created a great deal of misunderstanding between the agencies and UNDP. The crucial issues are whether OPS is usurping the functions of the agencies and whether UNDP is resorting more to direct execution to bypass the agencies.

275. The Group was assured that OPS undertakes administrative functions only and does not engage in technical activities, which they subcontract to agencies or to organizations outside the United Nations system. It must also be mentioned that some donors and Governments specifically request the services of OPS.

276. Many agencies maintain that they are not properly consulted by UNDP before UNDP-funded projects are given to OPS. It was also indicated that OPS did not use the technical competence of the agencies sufficiently as co-operating agencies and apparently preferred to subcontract outside the United Nations system.

277. It is generally recognized by Governments that OPS is performing a valuable service. However, there is a perception among the agencies that UNDP is using this service to enhance independent action. This feeling has a negative effect on the harmonious relationship which should exist between UNDP and the United Nations organizations and has generated a great deal of suspicion and misunderstanding about the activities of OPS.

278. The Group stresses the need for the UNDP field offices and headquarters to undertake early consultations with relevant organizations and allow them a reasonable time to indicate whether or not they want to participate in the execution of a project.

279. The management services provided by OPS are well appreciated by those donors and recipient Governments that make use of it. In their opinion, it provides a service which is not readily available at the present time in the agencies.

280. The rapid increase in the provision of management services in the past and the possibility that it will continue to grow in the coming years has raised concerns in the Governing Council and ACABQ. It is felt that this development may endanger the multilateral character of UNDP. The Group feels that the same question may be asked of any other agency using this modality or trust funds. The important consideration is that an appropriate balance should be maintained between core and non-core funds. In no circumstances should bilateral funds channelled through the United Nations system exceed collectively and, for every donor country

individually, funds provided to the regular programmes which are untied and at the disposal of the developing countries.

281. Governments established a multilateral system with unique characteristics. Donor countries are now, for various reasons, introducing new aid modalities which in some ways affect multilateralism. As long as these funds remain modest in comparison to the total volume of the core funds, the solid United Nations framework will not suffer and interests of both recipients and some donor countries will be served. But the United Nations system cannot be blamed for resorting to the use of this type of service. It is incumbent upon Governments to ensure that a reasonable balance is maintained and that the multilateral feature of the United Nations is safeguarded.

282. The Group would like to suggest that donor countries among themselves, in the framework of DAC for instance, agree on certain limits in using the modalities of trust funds, multi-bi programmes and management services. Without such an agreement, it makes no sense for the Governing Council unilaterally to fix limits for management services and trust funds. Nothing will prohibit a donor from shifting to another United Nations organization which is not tied down by a restrictive decision of its governing body.

E. United Nations Children's Fund

283. The basis of UNICEF co-operation with a country is its country study, which assesses the needs of children and women. On that basis, the Government and UNICEF jointly prepare a general programme of co-operation, which is approved by the Executive Board of the organization. This provides a list of programmes for regular budget and noted projects. The field office is authorized to approve expenditures as long as they adhere to the thrust of the general programme. The approval authority is fully delegated and expenditures do not have to be referred to headquarters, thereby avoiding delays.

284. For equipment costing more than $5,000 (in countries with major field office capacity, the amount is raised to $50,000.00), the field office sends its request to the UNICEF central procurement agency, the UNICEF Packing and Assembly Centre (UNIPAC), in Copenhagen, together with its view as to whether or not the equipment should be bought locally. The final decision on such request is taken by UNIPAC. On the average, the equipment component is about 60 per cent of the UNICEF programme, although this is steadily declining.

285. The UNICEF field offices, which normally report annually to headquarters, keep account of all transactions, including funds spent by the Government. Progress reporting in the implementation of the child immunization programme is done every three months and it is confirmed that reports are reviewed carefully by headquarters. Evaluation of projects is conducted from headquarters as well as regional and country offices.

Execution

286. UNICEF programmes are executed by Governments. The Group found that in some countries programme execution requires active UNICEF support that gives the impression that UNICEF is the executing agency. NGOs are involved often as partners in the execution of UNICEF programmes. The sharing of experience gained at the regional level is given some importance through the establishment of networks around selected subjects of interest to a region. In Africa, networks have been formed for malaria, household food security, adjustment policy, AIDS and women's issues. This is greatly facilitated by the physical location of UNICEF regional offices in the regions themselves.

287. UNICEF field missions cannot carry over funds from the regular budgets from one fiscal year to another. Such a practice could result in undue pressure to spend money in any manner, thereby endangering effectiveness and/or quality. It is pointed out that UNICEF provides some facilities (such as vehicles) to government officials connected with a UNICEF programme. The flexibility in execution generally enhances effectiveness although occasionally they are not co-ordinated with government efforts. Governments generally rate UNICEF performance highly and praise it for its speedy responses and effectiveness in emergency situations.

Support costs

288. UNICEF seldom acts as an executing agent, although it has in the past done some work for UNFPA and the United Nations Development Fund for Women (UNIFEM) without charging these organizations for services rendered. When supplementary funds are received from a particular donor for a noted project, UNICEF charges 6 per cent overhead costs. This percentage is considered to be an average cost, although it is unclear how this average was arrived at.

289. The delegation of expenditure approval authority to the field offices, which also have the flexibility to move money from one programme to another where necessary, is viewed as a positive feature which has speeded up operational work. However, the unrestricted flexibility was not always appreciated by some Governments. The fact that UNICEF can resort to execution modalities and agents which work the fastest and give the best results is a second strength which the organization has in carrying out its mandate.

F. Use of organizations outside the United Nations system

Non-governmental organizations

290. Under the existing UNDP regulations, NGOs are not viewed as executing agents, but they can receive subcontracts from United Nations executing agents to execute a project or a component of a project. Some of them also undertake projects on behalf of recipient and donor Governments. UNFPA, however, uses them directly as executing agents.

291. There were several NGOs, both national and international, in the countries which the Group visited and members had discussions with officials of several of them. The international NGOs are usually well financed, not only by private contributions but also by grants from Governments. In general, national NGOs receive their financing from local private contributions while some receive support from external sources. There appears to be a great divergence in the staffing and the level of financial resources of NGOs.

292. There is close co-operation between NGOs and some of the agencies, especially in the social sectors and it is expected that this collaboration will increase. The main areas of NGO activities are at the grass-roots level and in rural areas. There is general consensus that NGOs perform a useful function and their performance in the execution of projects is usually found satisfactory.

293. Although NGOs co-operate with the Ministries in their respective fields, their programmes appear to be mostly unrelated to those of Government and hence there is little co-ordination and some duplication. Some Governments are apprehensive of the large number of international NGOs and are taking steps to have them registered.

Universities, research and training institutions

294. Quite a few universities, training and research institutes in the developing countries are well endowed with good research facilities and qualified staff who are competent in their fields of expertise. In spite of the limited financial resources of these countries, they have invested heavily in these institutions to enable them to co-operate fully with and be accepted by academic communities throughout the world.

295. In some of the countries which the Group visited, universities and research institutes were already executing projects on behalf of Governments and the United Nations system. They were also conducting research for the private sector. Some research institutes have the facilities and the interest to execute projects for other developing countries. There are also several reputable intergovernmental organizations and NGOs, such as, the Consultative Group on International Agricultural Research (CGIAR), the Latin-American Demographic Centre (CELADE), the International Planned Parenthood Federation (IPPF) and the Co-operative for American Relief Everywhere (CARE), which are now used as implementing agents by some agencies and OPS. The Group is of the view that these institutions should be considered for enlistment as executing agents.

296. At the present time, there is exchange of information on research in progress, and research results between developing countries as well as between developing countries and developed countries, particularly in the field of agriculture. In view of the research and technical capabilities of these institutions, the Group expects that the demands on universities and research institutes to execute projects on behalf of Governments will increase.

Consulting firms

297. The use of consulting firms by the agencies and UNDP is an established practice. These firms are usually subcontracted to provide experts and to execute components of a project or a project for which expertise is not readily available in the United Nations system.

298. The Group obtained some information in the field and from OPS regarding the use and operations of consulting firms. It heard that consulting firms in developing countries were being increasingly awarded subcontracts either individually or through consortia of firms. From the available information, it appeared that the fees charged by consulting firms were, in general, higher than those of agencies. However, the differential is not as great as usually thought.

299. The Group believes that there will be a growing need for the services of private consulting firms by the agencies and UNDP. The frequency with which their services will be required will depend on the nature of the project, the request for their services by donor Government in multi-bilateral projects and also by recipient Governments.

V. THE FUTURE TRIPARTITE RELATIONSHIP: THE RESPECTIVE ROLES OF THE GOVERNMENTS, UNDP AND THE AGENCIES

A. Changing needs of technical co-operation

300. The involvement of the United Nations system in the provision of technical co-operation has from the very beginning operated within a tripartite system. Countries request assistance while the United Nations, initially through EPTA and then along with the Special Fund and finally through UNDP, provides the funds and assists Governments in programming and managing them. The agencies and programmes of the United Nations system provide most of the required technical input.

301. Over the years, the concept of technical co-operation has moved beyond the mere provision of training, equipment and expertise by donors to aspects such as the twinning of institutions, the improvement of indigenous systems and techniques as well as co-operation among developing countries. Activities under technical co-operation programmes have become considerably more diversified. 5/

302. As elaborated upon earlier, the improvement in economic management and policy environment has assumed, if not greater, at least equal, importance to new investment in promoting economic development in the developing countries. Structural adjustment problems, environmental issues, population problems, human resource development, and the optimal use of scarce human and capital resources have become matters of serious concern to all.

303. Simultaneously, there have been a number of other changes. The growth in many developing countries of the indigenous stock of skills and institutions of sectoral excellence has already been mentioned. We have also noted the great diversity in the stages of development among developing countries, which in its turn has made it difficult to apply uniform development prescriptions and to provide standard economic and technical services to all of them. Finally, as a result of greater functional differentiation and complexity of specialization, there is significant expansion of new sources of expertise and knowledge, e.g., consultancy firms or research and training institutions.

304. These demands and developments have altered the needs of technical co-operation for various groups of countries and inevitably introduced variations in the modalities of its delivery. In the course of its field visits to countries and agencies and in its review of information either made available or elicited, the Expert Group has found that some trends, not all of which are new, are easily identifiable. These have been discussed in the earlier chapters. They are summarized here.

1. Type of input

305. The following points should be noted:

(a) Inputs for macro-policy formulation and management have become very important;

(b) Sectoral and subsectoral assessments have grown in importance;

(c) Inputs for political and economic decentralization and reorganization have assumed urgency in many countries;

(d) Specialized and sophisticated inputs in technology are required;

(e) The cultural dimension of development is recognized as a legitimate concern of development co-operation;

(f) Greater weight is given to technical co-operation among developing countries, particularly for the replication of similar or relevant experience in similar environments;

(g) The need for easier and speedier access to accumulated knowledge and experience in a highly differentiated world has become very urgent;

(h) Donors are reflecting a tendency towards exercising greater influence over the choice of priorities and strategies by recipient countries through more intensive dialogue as well as aid tied to objectives;

(i) Regrettably, but unavoidably, the United Nations system is gradually accepting tied aid for technical co-operation activities.

2. Modality of co-operation

306. Under this heading, the findings of the Expert Group can be summarized as follows:

(a) National management of technical co-operation activities has become crucial for sustainability, full utilization of the output and lasting impact of the intervention;

(b) Recipient Governments are increasingly insisting on a more dominant role in the choice of technical co-operation services and providers of such services;

(c) Use of indigenous expertise and institutions have become both valuable and cost-effective;

(d) Involvement of NGOs in technical co-operation activities is expanding significantly;

(e) Expertise available outside the United Nations system, e.g., consultancy firms, private institutions or universities and research institutes are increasingly being called upon to provide technical co-operation;

(f) Cost-sharing by middle-income developing countries in United Nations technical co-operation programmes is providing them easy access to technology in a very cost-effective manner;

(g) Increasingly the need for short interventions by experts is reducing the need for long-term experts;

(h) Linkage between technical co-operation interventions and a programming approach has become obvious;

(i) Monitoring and evaluation of technical co-operation activities have assumed greater importance.

307. The future roles of the three partners must be perceived in the context of these needs and developments in modalities of co-operation.

B. The future role of the recipient Governments

1. Determination of priorities and objectives

308. The recipient Government is the acknowledged prime mover in development activities. Technical co-operation programmes respond to the needs and demands of countries as reflected in national development plans and objectives as well as in global economic and social forums.

309. Currently, a great deal of technical co-operation projects are supply based. Bilateral sources directly as well as through multi-bi and trust fund programmes of the United Nations system provide technical co-operation resources for specific objectives and activities. Countries, in order to make use of these resources, draw up particular programmes or projects.

310. Domestic priorities are modified at times by global concerns which are articulated in a collective way in global forums. Needs such as the preservation of environmental balance, health for all by 2000, women's participation in the development process, and focus on human resource development, no doubt, are germane to individual countries but they do not always enjoy high priority in domestic plans.

311. Resources will certainly be more fruitfully used if they meet needs already felt, articulated and prioritized by Governments themselves, and if they strengthen the Governments' own programmes. The starting point, however, should be that developing countries draw up their national development programmes and priorities, or at least establish their development targets and objectives.

2. Programming exercise

312. The United Nations system can assist Governments during the programming phase by putting together the various needs identified in diverse forums, both national and international, within a consistent framework. This will involve the assessment of technical co-operation needs and their prioritization. Such assistance can be provided through macro-economic analysis and advice, formulation of programmes for social sectors and sectoral evaluation and strategy choices. The selection and

prioritization of objectives and activities (i.e., projects) are made easier with such input from the United Nations system. While the Government is in control of the programming exercise, the United Nations system under the team leadership of UNDP contributes to its formulation in the first instance and then in operationalizing it through specific activities or series of activities.

3. Programme management

313. The management of the programme of technical co-operation is the responsibility of the Government. The Government is also in charge of its overall implementation, for which responsible programme or project managers with necessary authority are and should be designated. In the process of implementation, however, it may seek the services of agencies for the entire project cycle in some cases, and in others only for specific phases and elements of the project cycle. Governments have the right to seek information from agencies on accumulated knowledge or on sources of such knowledge, and the agencies should continue to provide such information readily and at all times.

4. Programme execution

314. In this concept of partnership, more and more programme preparation and formulation as well as programme management and execution of activities under it become the primary responsibility of the Governments. The United Nations system provides only a helping hand in this enterprise. The traditional roles in project preparation and project execution continue in some countries, and for some aspects of technical co-operation programmes; but the emphasis shifts rather dramatically. What is now known as government execution becomes the norm, and programme approach to technical co-operation replaces project approach very rapidly.

5. Greater access to diverse sources of knowledge and expertise

315. Another change would be the demand for greater access to new sources of knowledge and expertise, and greater use of consultancy firms, research and training institutes, NGOs and IGOs. The United Nations system assists Governments in using these new sources by providing information on them or by subcontracting activities to them. Through the appraisal, monitoring and evaluation of programmes, the system provides technical support to all programme implementation, no matter who the executing agent is.

6. Strengthening Government capacity for co-ordination

316. While many countries are already playing the role envisaged here for the future partnership, a large number of countries, especially in the low-income and least developed category, are in urgent need of strengthening their capacity essentially for the planning and co-ordination of technical co-operation programmes. UNDP and the United Nations system have a special role in

strengthening government capacity for economic management and the co-ordination of external assistance.

C. The future role of UNDP

1. The tasks

317. Broadly speaking, UNDP has four major roles:

(a) Resource mobilization;

(b) Development policy advice to the Governments as requested;

(c) Assistance in the programming of technical co-operation at the country level;

(d) Assistance to Governments in the management and co-ordination of technical co-operation at the country level.

318. In the programming, management and co-ordination of technical co-operation, the role of UNDP needs to be more clearly spelled out and its leadership in the United Nations system needs to be highlighted.

2. Headquarters function

319. Most of the tasks of UNDP are field oriented. The role of headquarters is essentially in four areas: policy work related to country programming; resource mobilization; personnel services; and accountability for resource use.

Substantive policy analysis work

320. Headquarters has to keep the field offices abreast of up-to-date development thinking. In chapter III, the issues of the strengthening of capacity for economic policy work and for a minimum technical appraisal of activities have been discussed. UNDP should have the capacity for an intelligent compilation and adaptation of available knowledge in the United Nations system as well as for some original work on development thinking. On major development issues identified in Chapter II as well as on human resource development and developments in science and technology, there should be the capacity to put together relevant information and share it with field offices. There is also the need for sharing experiences of different regions and different countries in programming work as well as in development management. A system of briefing the field offices on such matters should become a regular feature. At the same time, there should be a regular briefing on global concerns such as that for environment or women in development.

3. Staff training

321. The issues of staff quality and staff training always play an important part in the review of operations of any United Nations agency. Some specific suggestions are made here:

(a) The system has many diverse training programmes which aim at advancing job-related skills and which provide orientation to newcomers. However, the Group feels that a training programme for all new UNDP staff should be developed under the auspices of the United Nations Institute for Training and Research (UNITAR), which should conduct such courses on a continued basis for the entire United Nations system as well. This programme should enable all newcomers to understand properly the various parts of the system, what they stand for and how they work, it should also aim at inculcating an esprit de corps. The courses should provide for interagency exposure of all UNDP staff members;

(b) The various programmes under way now for mid-career staff, Resident Representatives and field staff should be strengthened, continued and made accessible more widely than at present. All staff members selected for the positions of Deputy Resident Representative and above must undergo a mid-career training course before assuming their duties;

(c) Regular orientation seminars, partly with a view to updating the global perceptions and development concerns of the trainees, should be organized on a periodic basis for the field staff. The facilities of regional training institutions may be explored for this purpose.

4. Programme approval, inspection, and evaluation

322. In respect of field operations, the headquarters should reserve the right of inspection and evaluation, and provide whatever support services are needed. For the country programme, for example, headquarters will provide overall policy guidance and inputs based on lessons learned from UNDP-wide experiences. It will approve the programme but then leave the implementation to the field. Actual sectoral and subsectoral programmes of activities, or composite projects that are prepared, may be scrutinized by the headquarters on a sample basis or as referred to from the field for advice and guidance.

323. Inspection will be a regular and important function of headquarters. The programmes of inspection and evaluation should be carefully worked out at least on an annual basis. Evaluation could be thematic or for major individual projects or programmes.

324. A comprehensive periodic report on technical co-operation activities of the United Nations system as a whole is desirable. The report should be performance-oriented and focus on achievements as well as failures. This is described more elaborately in chapter VI.

5. Resource mobilization

325. The emphasis on the mobilization of untied resources should be at the centre of resource mobilization endeavours. To bring about significant increase in IPF resources for the next cycle, donors could seriously consider reallocation from the overall availability of aid. Judging from the current trends, it seems likely that in the future there will be funds tied to objectives or for the benefit of countries of an area or for an economic group. It is also likely that the management of essentially bilateral aid programmes may be requested by donors as well as recipients. Other funds should, of course, be administered but proliferation should be resisted.

326. It is acknowledged that trust funds or multi-bi programmes of agencies will continue. In order, however, to ensure coherence in the technical co-operation programmes of the United Nations system in a country, it is strongly urged that these resources should be used in programmes identified for priority attention from the system. While different activities or interventions may be chosen, they must be in the priority sectors and linked by specific sectoral, subsectoral or project objectives.

327. Related to resource mobilization is accountability of resource use. Resources are used for three purposes: i.e., financing of input to countries; administrative expenses of UNDP; and support costs to executing agents. Accountability of resource use must ultimately be related to the evaluation of the output, i.e., the programme performance and impact. The issue of accountability is the subject of chapter VI.

6. Field functions

328. All other activities of UNDP lie in the field and the tasks of the field office are discussed in the following paragraphs.

Policy advisory functions of the Resident Representative

329. The advisory role of the Resident Representative and his staff will expand; the kind of advice required may be:

(a) Advice on broad economic policy matters, such as the liberalization of the economy, debt management or structural adjustment;

(b) Advice on development priorities;

(c) Advice and support to Governments in enhancing the modality of national execution and the arrangement of training courses on reporting and accounting, or guidelines for national execution.

As already mentioned, headquarters will have to support the field offices substantively in enabling them to provide advice as requested.

Assessment of technical co-operation activities and needs

330. The assessment of technical co-operation needs and the preparation of an inventory of past and current activities are important contributions to the country programming process. Assisting Governments in making such assessments will continue to be an important function of the field offices. This will have to be done along with agency representatives in the field or with agency contributions from headquarters. Technical co-operation assessment work needed for Consultative Group or round-table conferences is one modality. In carrying out these exercises, the important considerations are (a) the internalization of the process in the government machinery, and (b) securing and putting together agency input from the very beginning of the exercise.

Country programming

331. In order for technical co-operation to be effective in promoting self-reliance and to be of lasting value to an economy, country programming is essential and should be led actively by the recipient Government. The role of UNDP can only be to assist the Government in the programming process. This assistance can be provided through various measures and activities, as discussed in chapter IV. To accomplish all this, the capacity of the UNDP field offices in programming as well as macro-economic assessment will need to be strengthened, particularly in low-income countries. The issues of quality and level of staff have already been discussed in chapter III.

332. UNDP field offices should have the capacity to serve and support the system as a whole. While capacity in the field office should be adequate, more important is the flexibility it should have to call for needed expertise at short notice. The Resident Representative should function as a team leader of agency representatives or field experts in providing inputs on sectoral assessment and strategy formulation and information on accumulated experience and global concerns relating to various sectors. In some cases, the contributions can come from headquarters. Needs will be different from country to country and so the extent of agency involvement will vary from country to country. The capacity of the field offices would naturally relate to country requirements.

Management of technical co-operation activities

333. The other area of UNDP input is in the management of the technical co-operation programme. This means assistance to Governments in their programme management and implementation work. Whether project execution is by the Government or by outside agencies, including direct execution by UNDP, management responsibility must be increasingly assumed by the Government. With the expansion of national execution, the work of the field office will increase, particularly in assisting Governments in project management, accounting and reporting. In three important phases of programme or project execution, UNDP must assume a leadership role to provide the inputs of the United Nations system. These phases are the appraisal of sectoral or subsectoral programmes or projects, the monitoring of programme implementation, and the evaluation of the impact of the programme or project. This will entail organizing the functions, scheduling the work-plan,

co-ordinating agency inputs, and ensuring proper follow-up, in addition to providing substantive inputs.

7. Programme approach and the need to delegate authority to the field

334. Since a programme approach will dominate the delivery of technical co-operation, the authority of the field office in programme approval and monitoring will expand. As a result of this approach, there will be fewer individual projects for approval by UNDP field offices. Instead, there will be very intensive work on programme preparation and appraisal and its ongoing monitoring. Programme preparation will involve the definition of objectives and the identification of discrete outputs, which will jointly contribute to the achievement of the objectives. The inputs will be broadly identified within the framework of the programme. Then the programme will provide a tentative listing of activities and a time schedule for undertaking them. This programme will be definitive on objectives and outputs but flexible on individual interventions or activities. Programme approval will naturally have to provide considerable leeway for adjusting the various activities under it. This will mean that programme appraisal and monitoring of its implementation will be very important tasks, which can best be performed in the field. The programme approach, therefore, demands the mobilization of a field team and authority for on-the-spot decisions. Under this approach, it will not be necessary to include projects in a country programme. It will further be necessary to modify the project document to adhere to the more flexible approach towards activities under a programme.

335. UNDP would have to delegate all powers over programme implementation to the field once the country programme is carefully scrutinized and approved. The Resident Representative will still have the option to refer any case to headquarters for special reasons. In exceptional cases, headquarters will continue to exercise its authority to review or approve a programme or project. In addition, the field offices will keep the headquarters informed of all project proposals and send progress reports on programme implementation and completion at all times.

D. The future role of the agencies

1. Concentration in specialization

336. In order to be of useful service to the countries, the agencies have to reassess their capabilities. As far as the smaller technical agencies are concerned, they do not have much of a problem in this respect yet. They should, however, also be on their guard. Recognizing the progressive differentiation of functions and the increasing complexity of disciplines, the larger agencies must concentrate on limited activities, and maintain in-house capacity of outstanding levels in these selected specialties. For some fields of activities, they should choose to be a registry of information. They should, for example, be the ones who know where the experts can be found and where the centres of excellence are located. It should be recognized that it is not possible for them to compete in all fields of knowledge with centres specializing in limited and well-focused

areas. Embarking on new activities, without additional resource support or without cutting down on some ongoing activities, should be strongly and consciously resisted.

2. Country focus approach

337. In order to help countries in their programming of capacity-building and skills upgrading, it is very necessary for agencies to develop a country-focused approach. Not every agency will be expected to focus on every country. Instead of trying to be involved in all countries, the agencies should focus their attention on those countries where the sector or sectors of their individual specialization are of priority interest to the country. It should be noted, however, that for small agencies involved in purely technical unisectoral activities, such as IMO or ICAO, such a country focus may not be necessary at all. Along with the country focus it will be necessary to get away from the project approach in providing services to a country. For countries in which an agency is substantially involved, it should retain a general overview of the sector on a continuous basis, no matter how much it is involved in actual programme or project execution.

3. The new role in the field

338. The role of the agencies in technical co-operation at the country level will change its emphasis from project execution to programme support services since execution will become in course of time a minor responsibility. The various activities in support of technical co-operation programmes can be enumerated as follows:

(a) Regular sectoral study and advice;

(b) Assessment of the technical co-operation needs of sectors;

(c) Formulation of human resource development programmes relevant to their sectors;

(d) Research in relevant development issues;

(e) Assistance in the programming of technical co-operation in countries;

(f) Supply of information on accumulated knowledge and experience;

(g) Reference service for experts, institutes, equipment and training facilities;

(h) Assistance to countries in programme or project appraisal;

(i) Monitoring of programme implementation, including field inspection;

(j) Continuous evaluation of technical co-operation activities and developments in countries;

(k) Participation in intergovernmental and interagency meetings on technical co-operation;

(l) Public information on technical co-operation activities;

(m) Overall budgetary and accounting work for technical co-operation programmes;

(n) Impact evaluation, including evaluation on a thematic or programmatic or country basis;

(o) Actual execution of programmes or projects in technical co-operation, either fully or in part.

4. Contribution in country programming

339. Sectoral assessment and advice is required as part of country programming, NATCAPs, or the preparation of technical co-operation assessment reports for round-table conferences or Consultative Groups. In different countries, the assessment of different sectors or subsectors may be necessary. Materials for the UNDP advisory note, review of ongoing activities, and the inventory of resources should be supplied by agencies, either from their field offices or from their headquarters. This input can be made more readily available by emphasizing the country focus in the agencies. The same input should be provided for NATCAPs and technical co-operation assessment reports. When a country decides to concentrate on a specific sector or sectors in its technical co-operation programme, agencies must then play the lead role in providing assistance to the Government to develop and manage the particular programme.

340. In the programming exercise, UNDP is expected to assist the Government in every respect. This assistance should, in fact, be provided by a team of experts covering areas of priority interest to the country. In this function, the Resident Co-ordinator would really be acting as a team leader and the team would consist mainly of United Nations system personnel available in the field. If a particular sector is of special importance to a country, and the agency dealing with this sector does not have anyone in the field, the assistance should be provided from the headquarters of the agency concerned.

5. Role in programme implementation

341. The next set of activities relating to country programme implementation will comprise programme or project appraisal, monitoring and evaluation. In these three facets of implementation, agency service should be provided as a matter of routine. Whether implementation of a project or programme is by the Government, a consultancy firm, an NGO or an institute, the agencies should be prepared to undertake these three services unless the Government wishes otherwise.

6. Project or programme execution

342. Finally, agencies should undertake the execution of a programme or project in technical co-operation at the request of a Government. This may involve the complete process of execution from project preparation to evaluation. It may, on the other hand, involve the execution of a specific facet such as procurement action or expert recruitment. In respect of project or programme implementation, all administrative and budgetary authority should be transferred to the field level. This will increase the work-load of the UNDP field office. In the new relationship, project execution will be only a limited activity. More work will be involved in developing and managing programmes of actions for specific sectors or subsectors designed to achieve some broader objectives. Wherever there is the need for fielding experts, however, it will be desirable to treat them as a team even though they may be responsible for specific projects.

7. Supply of information

343. Collection, compilation and dissemination of information is an important mandate of all sectoral agencies. This is a function which can best be organized centrally, but it is an important element in field service and support to technical co-operation programmes. One of the very important services that agencies can do better is to supply information to countries. Agencies should not only distil the accumulated knowledge and experience in various sectors and subsectors but also function as a referral service for a variety of information. They should maintain comprehensive registers on experts, consultancy firms, research and training institutes, NGOs, and other sources of knowledge and expertise.

344. Informatics is a neglected area in most agencies and should be strengthened with the utmost priority. In addition, a computer-based network between UNDP and the agencies should be established without delay, and the cost of the undertaking should be shared between the organizations. Linking this network with the data banks of IMF and the World Bank should also be considered. Access to this network should be provided freely to the developing countries, and their capacity to have such access should be built up.

E. Summary

345. Far from drifting away from these new trends, the United Nations system should not only go along with them but also do its utmost to promote them. It should use modern methods and techniques to improve its performance in the field, to upgrade its management style and to discharge its accountability requirements. But most important of all, it should take clear note of the indisputable evidence that only by working together, by pooling its resources, and by moving in the same direction, will it be capable of retaining its unique role in the world in general and in the field of development co-operation in particular. The partnership that is envisaged in this report will therefore be:

(a) Division of responsibilities. There is the perception of a clear division of labour between the three partners in the field of technical co-operation. Governments take the leading role in programming and implementation, the agencies focus on their areas of specialization mainly providing support services, and UNDP remains active in resource mobilization; emphasizes assistance to Governments in programming and programme management; and acts as a team leader and co-ordinator for the United Nations system inputs;

(b) National execution. In tune with the leading role of Governments and the objective of the achievement of self-reliance, national execution becomes the norm in programme implementation;

(c) Programme approach. Programme approach should be rapidly replacing the project-by-project approach in the provision of technical co-operation inputs;

(d) Pooling all United Nations system resources. The requirements of the programme approach and the need for the effective use of limited resources call for the programming of all United Nations system resources in a coherent manner;

(e) Decentralization and delegation. Finally, there must be very substantial decentralization of responsibilities and delegation of authority to the field level and significant strengthening of the field offices of the United Nations system. For example, the country programme alone will in the future be approved in the headquarters of UNDP, while programmes and projects under it will be appraised and approved in the field. Similarly, field representatives of agencies will have all powers over programme budgets and actions for programmes or projects under agency execution.

VI. ACCOUNTABILITY IN THE TRIPARTITE SYSTEM

A. Background

346. Hardly any of the various concepts used in connection with the planning and implementation of United Nations system operational activities has been as poorly defined and as elusive as that of agency accountability. The subject has been periodically on the agenda of the UNDP Governing Council, but the results of these debates have been inconclusive. The feeling remains, therefore, that the specialized agencies generally have been held accountable for the delivery of project inputs but not for project output and results. The involvement of three parties, i.e., the funding agency, the executing agents and the recipient Governments, makes it difficult to define responsibilities and to discharge the accountability function in a satisfactory manner.

347. There is a growing feeling, although little systematic evidence, that the impact of projects undertaken by the system are not fully satisfactory and their sustainability is possibly deteriorating. The mechanisms and procedures available for monitoring and evaluating programme and project impact are considered mechanical and diffuse. Whether or not project delivery and the impact of United Nations system-supported projects are, in fact, inferior to achievements under

other multilateral or bilateral aid funding has never been, and probably cannot be, clearly established. Agencies generally acknowledge their responsibility for accountability but emphasize that this is primarily vis-à-vis their own governing bodies as well as the external auditors appointed by them. In the absence of a clear concept and procedures about how accountability should be performed, it is not surprising that the governing bodies have complained about the existing evaluation mechanisms in the system as well as transparency regarding project impact and the use of support-cost funds.

348. Reflecting these sentiments, the UNDP Governing Council at its thirty-third (1986) and thirty-fourth (1987) sessions urged the Administrator to initiate appropriate measures to ensure greater agency accountability. In response to these requests, UNDP in 1988 presented a report 6/ describing the management measures being undertaken by UNDP, which would lead to improved project performance and accountability. It also reviewed the legal position regarding the possible application of penalty schemes and discussed future options to be explored to ensure the effective implementation of projects. A follow-up paper 7/ was presented to the Governing Council at its thirty-sixth session (1989), which dealt specifically with the status of the UNDP standard basic executing agency agreement and the apparent unwillingness of the large specialized agencies to sign that agreement in the form in which it was presented.

B. The concept of accountability

349. The concept of accountability for operational activities has three aspects. First, there is the accountability for actual project expenditure and the provision of inputs into projects. Projects have budgets that detail inputs and time schedules for their delivery. Every executing agent is obliged to report on a periodic basis on the use of funds, procurement and on all operations relating to project implementation.

350. The second aspect of accountability relates to the use of support-cost funds. Executing agents get paid by funding agencies, UNDP or other donors, for providing support to technical co-operation activities. From the very beginning, it was clear that support-cost payments would cover only a part (that primarily relating to administrative support) of the expenditure involved in providing the needed support. In 1973, support cost was identified through an elaborate but imperfect cost-measurement exercise at 23.3 per cent of total project value. After due consideration, it was decided to pay the agencies only 14 per cent, which was later reduced to 13 per cent. This basic idea in the provision of support cost and the complexity in cost measurement have made it difficult to identify the services which are really paid for by the support-cost income received by executing agents. While the Governing Council of UNDP expects comprehensive information on support cost expenditure, the agencies argue that they are accountable principally to their governing bodies because support cost is borne not only by UNDP but also by other funding sources as well as agency regular budgets. This argument, however, is only partly true. Agencies do accept the obligation to be accountable to a bilateral donor of trust funds although there, too, part of the support cost is sometimes met from the regular budget of the agencies. The same obligation should logically

apply to UNDP-financed support cost; it is both a problem of transparency as well as of accountability.

351. The third and perhaps the most important aspect of accountability is output and impact accountability. The lessons learned, the problems encountered, and the future direction that programmes should take, have not generally been given the required emphasis in evaluation exercises. The quality of output is not sufficiently evaluated and its impact on capacity-building not identified. Nor is it adequately ascertained if it is sustainable and cost-effective. Partly because of the lack of resources, these broader aspects of evaluation are neglected despite the existence of evaluation units in virtually all agencies. Although evaluation reports are prepared for practically all completed projects, what is lacking is a comprehensive evaluation of the technical co-operation programme, an appreciation of global accomplishments as well as the major problems encountered in different regions and sectors. Such evaluation is important in order to provide to funding sources the information they need to attract and justify the required additional resources.

C. Legal aspects of accountability

352. UNDP prepared a text for the standard basic executing agency agreement in order to define the tripartite relationship as articulated in the Consensus. So far, 16 out of 31 executing agents have signed this agreement or similar memoranda of understanding (see annex III). Another 11 executing agents are continuing with agreements concluded, prior to the establishment of UNDP with the Technical Assistance Board or the Special Fund. Four other executing agents have not signed any agreement but they undertake project execution in accordance with the provisions of the standard basic executing agency agreement. The special features of this agreement, which differentiate it from agreements predating the Consensus, are as follows:

(a) The executing agency recognizes the leadership of UNDP within the United Nations system for the achievement of its purpose (i.e., the administration of central technical co-operation funds);

(b) The executing agency recognizes the Resident Representative as the central co-ordinating authority for all technical co-operation programmes;

(c) Experts, consultants and suppliers of goods and contractual services and in general all persons performing services for the executing agency as part of a technical co-operation activity are in all cases acceptable to UNDP;

(d) In the execution of technical co-operation activities, the executing agency has the status of an independent contractor vis-à-vis UNDP. The executing agency is accountable to UNDP for its execution of such activities.

353. However, it should be stressed that accountability of executing agents does not depend only on the agreement, it is reinforced by: (a) the standard basic

assistance agreement between UNDP and recipient Governments; and (b) the project document, which is signed by UNDP, the Government and the executing agent in each case. The project document details all obligations for financial reporting and input delivery by all the parties to the agreement.

354. Recently, efforts have been renewed by UNDP to conclude the standard basic executing agency agreement with all executing agents. Although this will bring about greater uniformity in the legal framework, it may not add much to what is presently provided regarding accountability through project agreements. In 1988, the United Nations Office of Legal Affairs considered the issue of accountability of executing agents to UNDP. It looked specifically into the issues of the delivery schedule of inputs, costs of projects, quality of personnel and technical specifications of supplies and services. It confirmed that agencies were accountable even if sanctions could not be enforced against them. It also upheld that UNDP is responsible for monitoring performance and that it could enforce compliance through measures such as suspension, termination, or the withholding of payments. It recognized, however, that it would be difficult for UNDP to impose financial penalties on other intergovernmental organizations, an idea which had been raised in earlier Governing Council discussions.

355. The fact that the legal position regarding accountability is seemingly unassailable does not mean, however, that the matter is satisfactorily settled. In fact, the Expert Group agrees with the UNDP statement that "the issue of how accountability is to be discharged in practice is still unresolved. There is a complex of relationships between Governments, UNDP and agencies that need to be defined and reconciled". 8/

D. Input accountability

356. For delivery of inputs, the existing reporting system is rather elaborate but time schedules are not always met and it is very difficult to impose discipline in a tripartite system. There are also some problems with accounts and reports from projects under national execution. But these weaknesses can be rectified with better monitoring and systematic training. The tripartite review usually looks carefully at input delivery, and the financial reporting system gives adequate information on expenditure on all deliveries. By and large, accountability for inputs provided is satisfactory and the flow of information between UNDP and agencies in this respect works well.

E. Support-cost accountability

357. Accountability for the use of support-cost income has been a matter of serious concern to the Governing Council. It has become all the more important as questions are raised by recipients about the capability of agencies for the technical backstopping of projects.

358. The Expert Group engaged a consultant to study this issue. His report, including several appendices, is attached as annex IV to this report. The consultant also analysed the methods employed in allocating support-cost income in 11 agencies.

359. The Governing Council decided in 1980 that arrangements be made to submit ex post facto reports on support-cost use. 9/ These reports did provide a breakdown of agency support-cost income by source (UNDP, regular programme and other extrabudgetary sources) and of expenditures by components (e.g., salaries, travel, contractual services). However, they have not provided any indication of the parameters which would be of real interest, namely how much was spent for administrative and technical support and how adequately these functions could be performed with the available support-cost income. Nor were the results comparable between agencies, particularly regarding the methods used for estimating the regular programme subsidy to total support cost.

360. Considering the integrated way in which the system operates, and indeed should operate, it would not be practical nor cost-effective to try to identify what services have been rendered for the payments received from any one support-cost funding source. This is true even for those agencies that identify certain posts according to funding source, because in actual practice the work of the incumbents inevitably covers several aspects of the total field programme along with regular programme activities, irrespective of how their particular post may be financed. Although separate technical co-operation units are financed by support-cost income in some of the larger agencies, they mostly provide administrative support to technical co-operation projects, while technical support is provided by substantive divisions financed largely by the regular budget.

361. So far, three biennial ex post facto reports on support costs have been prepared by UNDP, based on agency submissions. For the 1986-1987 biennium, the summary of information contained in the ex post facto report is provided in table VI.1.

362. This table and the consultant's report bring out the following special features about support-cost expenditure:

(a) Support-cost income from UNDP and other extrabudgetary resources are actually in cash and exact figures are available for such income. On the other hand, the regular budget contribution is mostly an estimate although there are exceptions, e.g., the International Maritime Organization (IMO);

(b) The average rate of support cost paid by UNDP is 12.6 per cent, while that recovered by agencies from other extrabudgetary resources is only 8.1 per cent. This really means that activities under trust funds and multi-bi programmes claim a comparatively large share of support services (i.e., subsidy) from regular budget;

(c) The support-cost expenditures estimated by various agencies differ very widely. They range from 6.8 per cent for OPS through 10.3 per cent for the World Bank; 17.4 per cent for the International Civil Aviation Organization (ICAO);

Table VI.1. Technical co-operation and support-cost expenditure from all sources by the United Nations system, 1986-1987

(Thousands of US dollars)

Agency	(1) Total support expenditure				(2) Total technical co-operation project expenditure				(3) Total expenditure (1) + (2)	Ratio of support cost (1) / (2)
	Total	Regular	UNDP share	EB share	Total	Regular	UNDP share	EB share		
FAO	123 000	58 785	35 922	28 293	637 794	72 439	262 148	303 207	760 794	19.3
UN	70 842	36 420	27 736	6 686	329 498	14 511	219 646	95 341	400 340	21.5
UNIDO	71 900	47 203	18 404	6 293	197 400	5 800	141 700	49 900	269 300	36.4
ILO	64 701	40 313	12 763	11 625	218 585	24 031	95 035	99 519	283 286	29.6
UNESCO	32 512	16 177	8 305	8 030	148 900	9 600	62 537	76 763	181 412	21.8
UNDP/OPS	18 991	-	9 948	9 043 a/	280 712	-	120 912	159 800	299 703	6.8
ICAO	11 291	-	8 277	3 014	88 773	-	65 489	23 284	100 064	12.7
World Bank a/	9 893	-	9 128	-	96 167	-	96 167	-	106 060	10.3
ITU	8 741	1 805	5 872	1 064	61 458	6 791	45 044	9 623	70 199	14.2
WHO	117 051	94 760	3 961	18 331	820 804	419 884	37 379	363 541	937 855	14.3
UNCTAD	5 294	2 236	2 178	880	23 533	930	16 116	6 487	28 827	22.5
ITC	10 216	4 227	2 652	3 337	45 406	-	20 794	24 612	55 622	22.5
UNCHS	3 744	-	3 355	389	29 581	1 067	25 834	2 680	33 325	12.7
AsDB	21 549	19 671	1 619	259	53 948	37 976	12 453	3 519	75 497	39.9
ECA	4 443	1 905	1 494	1 044	22 898	3 153	11 125	8 620	27 341	19.4
ESCAP	6 635	2 818	1 664	2 153	32 308	2 818	12 799	16 691	38 943	20.5
ECLAC	3 346	1 061	407	1 878	16 347	1 474	3 020	11 853	19 693	20.5
ECE	587	372	60	155	1 654	-	463	1 191	2 241	35.5
ESCWA	1 031	656	146	229	4 584	1 694	1 122	1 768	5 615	22.5
WMO	6 879	2 212	3 901	766	30 044	501	22 683	6 860	36 923	22.9
IMO	5 181	1 892	2 200	1 089	18 616	-	10 563	8 053	23 797	27.8
IAEA	25 000	23 860	1 032	108	100 872	72 669	4 692	23 511	125 872	24.8
WIPO	4 626	3 510	999	117	13 247	5 086	4 555	3 606	17 873	34.9
UPU	2 520	1 775	745	-	6 407	1 946	3 386	1 075	8 927	39.3
WTO	1 665	905	760	-	4 147	-	4 147	-	5 812	40.2
Total 86-87	631 638	362 563	163 528	104 783	3 283 683	682 370	1 299 809	1 301 504	3 915 321	19.2

Source: Administrator's Report on Agency Support Cost - Ex Post Facto Report 1986-1987 (DP/1988/54).

a/ Relates only to UNDP-financed activities.

19.3 per cent for FAO; and 36.4 per cent for UNIDO. The main reason for such differences appears to be the absence of agreed definitions and related estimation procedures for support-cost elements. For example, in UNIDO, all expenses of some cost centres are attributed to operational activities, even if they do other work for regular agency programmes (e.g., information gathering or research). On the other hand, some organizations, e.g. ICAO and the World Bank, show relatively low support-cost expenditure because part of the technical backstopping is provided by technical divisions charged to the regular budget. In IMO, although there is a regular budget contribution for the separate unit responsible for technical co-operation, substantive divisions financed from regular budgets also carry out a part of technical backstopping.

Measures for the improvement of accountability

363. How the support-cost arrangement is worked out will largely determine the way in which accountability for the use of support-cost income should be discharged. If support cost is provided for infrastructure support, an agreement will have to be reached on posts to be financed from support-cost payment. As long as these posts are filled and they perform the jobs agreed to, it will be quite easy to account for the use of support-cost income.

364. On the other hand, if support cost is provided for certain services to be performed, it will be necessary to introduce a cost-measurement system to determine as to what these support services cost. The Group is aware of the efforts made in the past to define a workable cost measurement system. Although the work done by the Inter-Agency Task Force in the years 1972-1974 could not introduce a system-wide cost measurement system, it was none the less of considerable value. Some agencies (e.g. FAO and UPU) have a cost-measurement system for some aspects of their work. A cost-measurement system could not be introduced in more agencies, not simply because time-recording was resisted as a complicated process but also because it was considered costly, particularly in a period of the progressively worsening financial situation of United Nations agencies. With the impressive developments in computer technology now, a cost-measurement system should become much easier to handle.

365. To begin with, one could look at the identification of components of support costs made in the JIU report, 10/ which has been reproduced as annex V. It is not suggested that this should be followed now; it is mentioned only as an illustration. To devise a cost-measurement system, it is necessary first to define the support services, and then identify them under the various budget headings of different agencies. Certain support services are not specific to a programme or project but apply to a country in general such as sector study, input in programme development or preparation, the monitoring of activities and developments in a sector, technical appraisal and the broad assessment of field programmes, the regular evaluation of programmes and projects, or programmatic or thematic evaluations. There will be other support services specific to some individual programmes or projects, such as the technical component of a tripartite review or administrative support to field projects. All these services are performed by an agency for a variety of funding sources, including the regular budget. The time and energy put into such activities by all units of both headquarters and field organizations of agencies have to be estimated. In order to undertake such a

cost-measurement study, it will be desirable to obtain the services of an expert to identify budget items and units, agency by agency. An illustrative list of questions is available in appendix B of annex IV. Such a study can be directed and acted upon by an inter-agency task force in which UNDP should participate.

366. Cost measurement is an important management tool for decision-making by management as well as by the governing bodies. It may be useful if cost-measurement exercises are undertaken periodically to identify the cost-effectiveness of specific activities such as a research programme, a statistical compilation work, a sector study, or an impact evaluation of a programme in a certain country. Even if it is carried out once every three years and only a sample of expenses are scrutinized, the results will be very useful for management. Thus, a cost-measurement study may not be considered only for the accountability of support costs.

367. Presently, the external auditors look at UNDP-financed activities as a separate item. However, the amount of information provided by the external auditors on this subject differs considerably between agencies. Through consultation among the external auditors, it should be possible to draw up a more elaborate reporting format on UNDP-financed activities listing specific elements to be included in the external auditors' report. The group has included an illustrative format of a report in annex VI. The auditors should assess, for example, on a spot-check basis, agency activities in nationally executed projects, and technical assistance assessment exercises.

F. Output accountability

368. Output accountability presently is the objective of both monitoring and evaluation exercises. There is the standard annual tripartite project review and project performance evaluation report. The tripartite project report on completion of a project is also supposed to make an output evaluation. Most often, these exercises are performed mechanically and tend to focus on inputs delivered and to avoid criticism of all the concerned parties.

369. Most agencies have evaluation units which undertake selective project evaluation. In recent times, thematic evaluation is being made by many agencies. Increasingly, it is being felt that evaluation should focus more on countries, or programmes.

Measures for the improvement of accountability

370. Output accountability should be approached through interrelated measures and activities designed to improve monitoring of technical co-operation programmes. The process should lead from input accountability to output accountability. A system should be devised to better monitor the respective responsibilities of all the partners.

(a) At the country level, UNDP, Government and the agencies should carry out an annual review of programme implementation to detect any shortfalls and

bottlenecks in delivery and to decide on corrective action. This review should cover not only UNDP-financed activities but also programmes financed from other sources of funds provided by the United Nations system. In such reviews, the headquarters of concerned agencies should preferably participate. The review reports should be carefully examined in the headquarters of both UNDP and agencies, and the comments promptly dispatched to the field. The report should provide an overview of the results and implications of tripartite reviews on individual projects undertaken during the year;

(b) The tripartite review process for individual projects should be strengthened and made more selective, concentrating on those projects which require such reviews. Where appropriate, the project document should specifically provide for the tripartite review and specify the agency presence required. It should cover the delivery of inputs but give much greater emphasis to qualitative and performance aspects in relation to objectives of the programme or project. Monitoring should be emphasized particularly as the programme approach and national execution will be covering a larger share of technical assistance resources. Proper monitoring can reduce the intensity of subsequent evaluation work;

(c) At agency headquarters level, periodic meetings should continue to be organized with funding sources, preferably at the Regional Bureau level to review general progress in programming and delivery, technical and administrative support to the programme and other matters related to programme quality. This should be a meeting with a properly developed agenda. While there will be many other things to discuss between an agency and UNDP, a specific item of the agenda should relate to output accountability. In this context, a joint programme of work on a biennial basis may be prepared to ensure that technical co-operation efforts remain cost-effective and productive. A programme of sectoral or thematic evaluation, which should be jointly undertaken by the three partners, should be worked out in such meetings;

(d) Central evaluation units in agencies, as recommended in a JIU Report 11/ should be more like inspectorate reporting directly to the head of the agency. Such units should carry out the field inspection of programmes under implementation. Their main function, however, could be the evaluation of selected projects or themes, mainly to look at sustainability and impact. In discharging this function, they will prepare programmes of work on a periodic basis jointly with UNDP and Governments that will be involved in the exercises;

(e) A comprehensive periodic report on technical co-operation achievements of the United Nations system as a whole is recommended. Mention has already been made of such a report in chapter V. It would provide a summary statement of programme delivery and focus on overall impact, assessment of results achieved and problems encountered in the process. It would highlight procedural improvements that are required and indicate new priority areas which are emerging. Similar to the World Bank's "World Development Report", it may focus on a limited number of major development policy issues and could be used to provide greater transparency about the programme and its impact on the general public. The report should be prepared by UNDP with inputs from the agencies and co-operating Governments. This report should be thoroughly reviewed by the Governing Council of UNDP as well as by that of the various agencies separately.

VII. FUTURE SUPPORT-COST ARRANGEMENT

A. Introduction

371. The present support-cost arrangement, which basically dates back to the time of EPTA, is generally considered a compromise for ensuring the best way of providing technical assistance to the developing countries. Support-cost at 13 per cent of total project value is presently a contribution from UNDP to the agencies only as a partial reimbursement, essentially covering administrative support costs, for their role in the delivery of technical co-operation inputs. It was agreed, under the flexibility provision, that agencies dealing with limited volume of project funds would be provided additional reimbursement up to a maximum of 22 per cent. Later, as agencies complained about rising costs of support service, it was agreed that some costs for technical backstopping of projects could be charged to projects. In 1988, some compensation was provided to agencies for the purchasing power loss they incurred as a result of the depreciation of the United States dollar.

372. In 1973, the major elements of support cost were defined on a system-wide basis. Various activities were identified in technical co-operation for which there should be a sharing of costs between funding source and executing agents. Since no similar attempt has been made later, it is worth while recapitulating those elements and their costs as a percentage of total project costs as outlined in a special CCAQ report (DP/77/Add.1 of 22 October 1974), although clearly they have become somewhat outdated. They are shown below:

	%
Programme planning and identification of projects	2.0
Project preparation and appraisal	1.7
Project implementation:	
Administrative support	11.6
Technical backstopping	7.5
Evaluation	0.5
	23.3

373. For agency trust funds and multi-bi programmes, the support-cost arrangements follow the same principle, but in some cases the reimbursement rates relate to components of projects such as procurement or training, and in some cases they are specifically negotiated.

374. UNDP provides special additional support to UNIDO for the industry sector. It pays for the cost of establishment of a number of SIDFAs in the UNDP field missions. UNFPA also provides similar support to major agencies. It pays for some positions in the agencies, either in the headquarters or in the field. These kinds of sectoral support are very special and by their nature they are expected to be provided for a period of time that will allow the agencies to develop the appropriate orientation.

375. In previous chapters, the Group has described what major changes are taking place in developing countries and how they are likely to affect the respective roles of Governments, UNDP and the agencies in the programming, management and implementation of technical co-operation activities. The future support-cost arrangement naturally would have to take account of these changing roles and be in tune with the new concept of partnership. At the same time, the level of compensation should be sufficient to allow the United Nations system and Governments to perform their respective support functions in an effective way.

B. Relevant considerations for the assessment of alternative support-cost arrangements

376. In its considerations of possible future support-cost options, the Group has taken into account a series of elements which should form a part of any future arrangement and on the basis of which the appropriateness of various alternatives can be broadly assessed. The following basic considerations appear important in this connection:

(a) The arrangement should cover a broad range of support services, it should be easily understood and not difficult to administer and it should promote coherence within the system;

(b) The arrangement should compensate agencies for the services they provide on a stable and predictable basis;

(c) The arrangement should adequately safeguard against excessive currency fluctuations;

(d) The arrangement should promote efficiency, cost-effectiveness and speedy delivery;

(e) The arrangement should stimulate actions towards the sustainability of programmes and projects;

(f) The automatic nature of the present formula, which links reimbursement as well as its level to project delivery, should be avoided;

(g) The arrangement should allow for appropriate competition among potential executing agents, including those outside the system;

(h) In line with the partnership principle, the future arrangement should provide for an equitable sharing of costs between funding sources, project budgets and agency regular budgets;

(i) Accountability regarding the performance of support functions should be an integral part of the future arrangement;

(j) The arrangement should promote national execution and provide Governments with any additional support they require to execute projects themselves;

(k) The future support-cost arrangement should lend itself to general application to all executing agents and funding sources.

C. Safeguards against currency fluctuations

377. Fluctuations in exchange rate have become a crucial issue in support-cost transactions. Support-cost earnings are denominated in United States dollars with most of the agencies transacting their business in the national currencies of their headquarters stations. The Group, therefore, felt that this issue should be considered as a special item as it is likely to influence most of the alternatives for support-cost arrangements.

378. During the past two decades, the exchange rate between the United States dollar and other currencies has been subject to considerable fluctuations. With the fluctuations of the Swiss franc against the United States dollar as an example, the situation is illustrated in table VII.1.

Table VII.1. Yearly average of the market value of the Swiss franc in relation to the United States dollar, 1980-1988

1980	1981	1982	1983	1984	1985	1986	1987	1988
1.6757	1.9642	2.0303	2.0991	2.3497	2.4571	1.7989	1.4912	1.4633
	+17.2%	+3.4%	+3.4%	+11.9%	+4.6%	-26.8%	-17.1%	-1.9%

379. These fluctuations have affected both the dollar equivalent of UNDP resources which are pledged in national currencies and support-cost earnings of agencies which are denominated in United States dollars. In the period 1980-1985 UNDP pledges went down (see table II.5), whereas support-cost earnings of agencies expressed in European currencies went down in the period 1986 to 1988.

380. As a result of the dollar depreciation most agencies in their ex post facto reports for 1986-1987 indicated that they were forced to compensate for the shortfall in support-cost earnings from their already heavily committed regular budgets. According to agency estimates, the regular budget support increased from $227 million during 1984-1985 to $362 million in the 1986-1987 biennium (see document DP/1988/54 of 6 May 1988). As the Group learned from its visits, particularly hard hit were most of the smaller technical agencies, whose technical co-operation departments have to be financed entirely from support-cost earnings. The precise methods employed by agencies in calculating this regular budget contribution to support costs and the underlying assumptions have generally not been made explicit, nor was it possible for the Group and the special consultant to clarify this issue. However, the Group is certain that the additional support provided from regular budgets in recent years has been substantial.

381. Although evidence was presented regarding the losses incurred from 1985 to 1987, the positive impact of the appreciating dollar from 1981 to 1985 on the support-cost earnings of executing agencies has not been documented. Some agencies indicated that they did accumulate reserves during this period which were subsequently used up from 1985 onwards when the dollar again declined. Others explained that the period of the strengthening dollar during the first part of the decade coincided with a fall in total resource availability from UNDP which more than wiped out any gains on account of the appreciating dollar. Stability of support-cost income, they pointed out, is affected by both currency fluctuation and the level of resources.

382. Based on the experience of the past decade, there is now general agreement on all sides that minimizing the effects of currency fluctuation must be an integral element of any future support-cost arrangement. It is also recognized that the provisions in Governing Council decision 81/40 of 30 June 1981 do not provide adequate protection against such substantial currency fluctuations as those experienced during the past 10 years. A new formula must be devised, therefore, which will adjust equitably in both directions as the base currency fluctuates.

383. Whatever the formula, it should be applicable to a wide variety of support-cost arrangements. A system based on reimbursement of a proportion of actual project expenditure (e.g., the present system) or a system of fixed or negotiated payment for a range of services to be provided can be covered by the formula. In a system under which infrastructure support is provided in local currency or project overhead cost is included in the agency project proposal, there may be no need for any special safeguard against currency fluctuations. Several options present themselves for consideration and are described in paragraphs 384 to 393.

1. Establishment of an exchange-rate reserve fund

384. Such a fund could be established either by the central funding source or by agencies themselves. An agreed base rate could be determined (for example the 10-year average annual rate between 1979 and 1988) and additions to or withdrawals from the fund could be made as agency headquarters currencies depreciate or appreciate. A certain threshold factor (say +/- 3 per cent) could be introduced before payments become operative. The fund would have to receive an initial allocation from general reserves before it could become operational.

385. The Group is cognizant of the resistance to the idea of tying down resources in an exchange rate equalization fund. There are also a few other problems that need be considered:

(a) First, there should be agreement on how the interest acquired is going to be spent. A logical solution is that it should be credited to the reserve fund;

(b) Second, there should be general agreement between UNDP and the agencies as to what part of the gains or losses are credited or debited to the reserve fund;

(c) There is the added complication that when the dollar value appreciates, total programme expenditure tends to decrease after a certain time. This automatically reduces agency support-cost earnings. This means that a reserve fund could provide protection only against short-term fluctuations in exchange rates but not against longer-term trends.

2. Applying a multi-year moving average exchange rate to calculate support-cost payments

386. The application of a five-year or three-year moving average exchange rate is designed to dampen the amplitudes of year-to-year currency fluctuations. Table VII.2 indicates how the moving average is determined and how it differs from the annual average rate. The system would work in a way similar to a reserve fund, although formally no fund would have to be established.

387. Under such a system, monthly support-cost payments to agencies would first be expressed in United States dollars, which could be translated at the official United Nations rate to determine the local currency equivalent. At year-end, when expenditures and support-cost earnings are known, the local currency support-cost earnings could be compared to the amount which should be paid (support-cost earnings in United States dollars multiplied by five years average exchange rate). If the local currency amount paid at the actual rate was lower than the derived rate, the difference would be paid to the agency in local currency. If the amount paid at the actual rate was higher than at the derived rate, UNDP would subsequently recover the excess from the agencies in local currency.

388. The great advantage of this formula is that it is easily understood. Its value has been proven from its use in the World Bank Atlas, where it is used to express GDP in dollar values. Its main appeal is that it is equitable and serves the stability consideration to a large extent. The year-to-year fluctuation is substantially regulated and there is no gain or loss for any party. This can be appreciated from table VII.3, which illustrates the earnings of one agency for the period 1980-1988. While the actual fluctuations are volatile, the moving average shows a moderate change indicating reasonable stability.

Table VII.2. Five-year average exchange rate: deutsche mark against United States dollar, 1976-1989

Year	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989
1976	2.60									
1977	2.40	2.40								
1978	2.15	2.15	2.15							
1979	1.85	1.85	1.85	1.85						
1980	1.70	1.70	1.70	1.70	1.70					
1981		2.00	2.00	2.00	2.00	2.00				
1982			2.40	2.40	2.40	2.40	2.40			
1983				2.70	2.70	2.70	2.70	2.70		
1984					3.40	3.40	3.40	3.40	3.40	
1985						2.40	2.40	2.40	2.40	2.40
1986							1.80	1.80	1.80	1.80
1987								1.60	1.60	1.60
1988									1.80	1.80
1989										2.00
Five-year average	2.14	2.02	2.02	2.13	2.44	2.58	2.54	2.38	2.20	1.92
Annual average	1.70	2.00	2.40	2.70	3.40	2.40	1.80	1.60	1.80	2.00

Range 1.60 - 3.40 = 2.12%

Table VII.3. Analysis of support-cost-earnings by UNIDO, 1980-1988

Year	Actual support costs ($US 000)	Annual average support costs in thousands of Austrian schillings: Rate	% change	Support cost	Five-year average support costs in thousands of Austrian schillings: Rate	% change	Support cost	Difference in thousands of Austrian schillings	Difference in thousands of US dollars: annual average rate ($US 000)
1980	7 957	12.3		101 850	14.38		114 422	12 572	982
1981	9 380	15.7	22.7	147 266	14.16	-1.5	132 821	(14 445)	(920)
1982	9 415	16.8	7.0	158 172	14.46	2.1	136 141	(22 031)	(1 311)
1983	7 022	17.7	5.4	124 289	15.64	8.2	109 824	(14 465)	(817)
1984	7 890	19.8	11.9	156 222	17.48	11.8	137 917	(18 305)	(924)
1985	8 552	20.7	4.5	177 026	18.22	4.2	155 817	(21 209)	(1 025)
1986	9 415	15.3	-26.1	144 050	17.82	-2.2	167 775	23 725	1 551
1987	9 030	12.7	-17.0	114 681	16.72	-6.2	150 982	36 301	2 858
1988	9 975	12.2	-3.9	121 695	15.34	-8.3	153 017	31 322	2 567
Total	78 636			1 245 251			1 258 716	13 468	2 961

Source: Division of Finance, UNDP.

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3. Applying the post adjustment principle

389. The post adjustment system is the basic method used in the United Nations salary structure to ensure that, regardless of duty station, salaries of Professional staff have equal purchasing power in United States dollar terms. New York is the central reference point and increases and decreases are calculated so as to introduce the greatest possible measure of parity in different duty stations.

390. Since Professional staff salaries are a significant element in agency support-cost expenditures, it was considered in the Rhodes Study on agency support cost and recommended in a recent UNIDO study contained in document PBC.5/16 of 24 February 1989 for application to support-cost payment by UNDP.

391. The UNIDO study makes the following specific suggestion:

Step 1: Determine on the basis of an assumed grade level how many Professional and General Service category staff in a ratio of one Professional to one General Service can be financed in New York from the 13 per cent programme support-costs earned on a given amount of project delivery.

Step 2: Calculate how many of these units can be financed from the same project support earnings of various headquarters duty stations outside New York and increase the base compensation until it purchases the same number of units as in New York. An illustrative calculation is found in table VII.4.

392. There are questions about the way the post adjustment calculations are made but the appeal of the formula is that in the United Nations system it is the accepted formula for adjusting both currency fluctuations and other cost-of-living differentials.

393. There are other difficulties in applying the post adjustment formula. First, only a part, although a significant part, of total support costs is incurred in the currency of the headquarters station. It would be appropriate, therefore, to use a fixed proportion, say 60 per cent of the actual post adjustment differential, as a support-cost income correction factor. Second, only a part of the total headquarters costs are Professional staff costs and applying the post adjustment formula to other support-cost elements (e.g., travel, printing costs) would obviously introduce another distorting element.

Table VII.4. An illustration of applying the post adjustment principle to adjust currency fluctuation

Estimated staff costs in New York and Geneva

Professional staff

Assumption - P 4/6, married, two children

	New York $US	Geneva $US
Basic salary	36 602	36 602
Post adjustment		
New York 63 multipliers	20 034	
Geneva 102 multipliers at 1.64		32 436
Family allowances	2 100	2 484
Health insurance	5 873	2 002
United Nations pension fund	10 312	10 312
Total cost	74 921	83 836

General Service staff

Assumption - G 6/5, married, two children

	$US	SF
Basic salary	29 605	66 210
Family allowances - spouse	1 720	4 360
- children	1 728	5 734
Health insurance	4 297	2 136
United Nations pension fund	5 955	13 959
Total cost	43 305	92 399
		at 1.64 $US 56 340
Total cost of 1P plus 1G (= 1 unit)	118 226	140 176

Conclusion

	In New York	In Geneva
No. of units which can be paid with $1 million	8.45	7.13
Adjustment factor (gross)	1.18 (8.45 divided by 7.13)	

/...

D. Alternative options and some common features

394. The Expert Group has been asked by the Governing Council to recommend alternative options for a support-cost arrangement. A few options were suggested in the terms of reference and the Group came across many more in the course of its study.

395. The Group has considered seven options, all of which can accommodate a number of variations in respect of specific elements. The Group has recommended three options (1, 2, and 3 below) for the consideration of the Governing Council and has expressed its views against four others (4, 5, 6 and 7 below). The salient features of the three recommended options are reflected in tables VII.5, VII.6 and VII.7.

396. The following seven options have been considered in this report.

(a) Equitable tripartite sharing of support cost;

(b) Separation of support service from project execution;

(c) Full freedom for Governments in the choice of execution modalities and agents;

(d) The present arrangement;

(e) Zero support-cost option;

(f) Charging support-costs to project budgets;

(g) Universal bidding for technical co-operation activities.

397. The recommendations of the Group have some common features which are highlighted in the following paragraphs. In all three proposals, the prominent features are national execution, support services by agencies, and greater use of executing agents outside the United Nations system. Further, all three proposals agree on a special arrangement for the implementation of global, interregional and regional projects. Finally, the smaller technical agencies have been provided with the option to continue with the existing arrangement with some modifications, or adopt the new arrangement.

National execution

398. National execution has been highlighted throughout this report as the preferred modality of the 1990s. It has also been observed that add-on provision has not been used adequately for strengthening national capability.

399. In the three options recommended by the Group, it has been stipulated that agencies would receive payments for support services for technical co-operation programmes. A similar arrangement may be made for supporting government capacity to manage and implement a technical co-operation programme. This support could be provided for a limited period only. Accordingly, UNDP could earmark some funds

from its administrative budget under a separate and specific heading to support: (a) management units of Governments for programme preparation and implementation, and co-ordination of external assistance. It may sometimes mean paying for only the programme managers of the Governments; and (b) training programmes in project management, accounting and reporting on programme implementation.

400. For the first biennium of the fifth cycle, the target for project delivery under national execution should range from doubling to tripling the present level.

401. There may be an ad hoc allocation in the administrative budget for this biennium for support of government capacity. For the subsequent biennia, it may be determined through negotiations between UNDP and Governments on the basis of the assessment of needs and review of experience.

Support services

402. In the three recommended arrangements, it has been stipulated that agencies will provide a great deal of support services for technical co-operation activities in the developing countries. The Group has listed below only those support services which are technical in nature and considers that the agencies should provide them without any payment from project budgets. It should be noted, however, that this is not a completely exhaustive list:

(a) Research in development issues relevant to the sector;

(b) Supply of information on accumulated knowledge and experience, including ad hoc technical advice;

(c) Reference service for experts, institutes, equipment, and training facilities;

(d) Participation in intergovernmental and interagency meetings on technical co-operation;

(e) Public information on technical co-operation activities;

(f) Overall budgetary accounting and reporting work for UNDP-financed activities;

(g) Impact evaluation, including thematic or programmatic evaluation;

(h) Regular sector study and advice, including the preparation of routine country sector profiles, needs assessment and strategy options;

(i) Continuous assessment of technical co-operation activities and developments in countries, which may include continuing sectoral reviews and field inspections;

(j) Contribution to the preparation of country programmes;

(k) Assistance in sectoral or subsectoral programme development;

(l) Assistance in programme or project appraisal;

(m) Assistance in monitoring programme implementation, including field inspection;

(n) Assistance in programme or project evaluation.

403. The first seven functions should clearly be financed by the regular budgets of agencies. It is not easy to judge precisely what part of other functions should be financed by regular budgets and what part should be financed by support costs. The three options have treated the matter somewhat differently. In option one, an infrastructure support is provided to agencies to strengthen their capacity for support services, including administrative support, so there is no difficulty in lumping them together. In option two, only seven items listed in (h) to (n) are eligible for partial financing from support cost. In option three, only four of these services listed in (k) to (n) are considered eligible for support-cost financing.

404. There are, however, some actions which can support technical co-operation activities and which can be specifically covered in programme or project budgets drawn up for the purpose. This could include major sector studies or the assessment of technical co-operation needs, individual projects can be formulated for the purpose. Such support services for technical co-operation activities could include the following:

(a) Requested specific missions for:

(i) project or programme identification and formulation;

(ii) project or programme appraisal;

(iii) participation in project or programme review;

(iv) participation in project or programme monitoring; e.g, tripartite reviews;

(v) participation in project or programme evaluation;

(vi) participation in needs assessment exercise, e.g., NaTCAPS;

(b) Major sectoral studies or periodic reviews of sectors.

Use of parties outside the United Nations system in project execution

405. In all the recommended arrangements, a greater role for parties outside the United Nations system has been envisaged in programme or project implementation. Exclusive reliance on agencies in project or programme execution will not continue as in the past. Agencies and IGOs and even national institutions can compete for programme or project execution according to all three proposals. Further, there is also the option for open competitive bidding subject to a scale of preference.

406. The bidding procedure may lay down a two-envelope system for the submission of proposals. Proposals will be received from a short list of parties or from the open market, as the case may be. The technical proposals will indicate the implementation plan, delivery schedule, experience of the contractor with such work, and the identification of personnel and technology the contractor will use for the project. In the other envelope, there will be the financial proposal, and agencies will cover their overhead costs in their financial bids. Thus, overheads in this arrangement will be covered from project budgets.

Arrangement for smaller agencies

407. In the existing arrangement, it is easy to apply a uniform formula for the system as a whole with the modification permitted by flexibility provision. The three new options can also be similarly applied to all agencies. But it is also possible to have, side by side, a different arrangement for smaller technical agencies.

408. The role of the smaller technical agencies will not change much since their interventions will mostly continue to be specific and of a specialized nature. A valid case could thus be made to treat the smaller agencies differently from the larger agencies. By and large, the smaller agencies maintain separate accounts for technical co-operation activities and that way render more transparent accounts for support-cost income and expenditures.

409. The smaller agencies may be provided with the option to adopt the new arrangement that is approved or to continue with the existing system. It should not be difficult for UNDP to negotiate separate arrangements with the smaller agencies to guarantee the continuity of their activities. In negotiating the arrangements, UNDP should consider three levels of reimbursement: for delivery below $7 million; between $7 million and $15 million; and above $15 million. Only three levels are recommended for the sake of simplicity and new thresholds are suggested, recognizing that the old ones were fixed many years ago. Safeguards against currency fluctuations and a reasonable predictability of support-cost income should also be ensured. Transparency of accounts and support from regular budgets should also be taken into consideration in the negotiations.

Regional, interregional and global projects

410. For the execution of regional, interregional and global projects, the preference is for United Nations agencies and IGOs. Proposals would be invited from concerned agencies or organizations and final decision made by UNDP. There would be no support-cost payment for such projects. It is expected that technical support to projects that an agency will execute in this category will come from its in-house capacity for regular work programmes, while administrative overhead costs will be covered by project budget. The agencies will be required to provide for such overheads in their proposals for project execution. In cases where it is decided to go beyond the United Nations system or IGOs, proposals would be invited from the private sector. It is desirable that the contractors from outside the United Nations system who are not IGOs should establish some co-operating relationship with either a United Nations agency or an IGO who will perform monitoring and evaluation of the project and ensure its sustainability.

E. Three preferred support-cost arrangements

Option 1: Sharing of support-cost by funding sources, agency regular budgets and project budgets:

Summary of the proposal

411. Support-costs are shared in appropriate proportions by funding sources, project budgets and agency regular budgets, as below:

(a) The funding sources (UNDP or trust funds) finance a certain infrastructure of an agency to provide administrative and operational support for the field programme to be paid in the currency of the headquarters site of the organization. In the case of UNDP, this payment is made from support-cost budget line. UNDP and donors of trust funds negotiate with the respective agencies and agree on the services they expect from agencies in the coming year or years;

(b) IPFs absorb clearly identifiable and project specific cost elements;

(c) Agencies pay from their regular budgets for some of the support services, which are an integral part of their mandated functions and at the same time necessary for field programmes.

Further elaboration of the various elements of the proposal

Infrastructure support from funding sources

412. A clearly identifiable staff infrastructure in an agency will be supported by a funding source (UNDP or trust funds) which will be decided by taking the following elements into account:

(a) Average annual project delivery of the agency during the previous biennium;

(b) Involvement of the agency in support of nationally executed projects in its sector of responsibility;

(c) Other special services required by the Government.

413. For this infrastructure support, certain problems of comparability would have to be dealt with. These arise from the fact that internal structures and approaches to field programme implementation are not the same in all agencies. For some organizations (e.g., ICAO) which maintain an entirely separate establishment for field programme implementation, it would be relatively easy to negotiate the level of support to be provided. Similarly, in several other organizations which maintain operational units, the infrastructure is known and its cost can be reasonably estimated. The fact that these units are multipurpose in another sense (i.e., they are serving not only UNDP-funded projects but also operational activities funded by trust funds and agency regular budgets) is an important consideration when it comes to determining who should pay what. Where

time-recording is carried out, it should be easy to assess the share in the total cost of these operational units which is attributable to different funding sources. In the absence of a time-recording practice, cost allocation could be made pro rata, according to either delivery or actual project expenditure or the number of projects in operation under each funding source.

414. For organizations without separate field programme operational units or separately identified posts, other methods will have to be used to estimate or approximate the additional costs which the agency incurs to support technical co-operation activities in the field.

IPF share in the cost of support services

415. Project-specific cost elements should be identified at the project formulation stage and charged to projects individually, preferably for specific items rather than at a flat rate. Individual projects differ considerably with respect to the support they require at various stages of the project cycle. The relevant items should be separately costed and included in the project budget. Some bilateral donors in their cost-accounting systems identify separately those support costs which are clearly project specific. The practice followed by the German Agency for Technical Co-operation (GTZ), an agency of the Government of the Federal Republic of Germany, is presented in annex 7 by way of illustration.

Agency share in the cost of support services

416. The third element of the support-service package which should be financed from regular budgets is presently neither carried out by the operations units nor is it attributable to individual projects. Among these elements are activities such as country sector studies, thematic evaluations and the follow-up of completed projects. While these activities are intimately linked to the field programme and enhance its impact, they are an integral part of the mandated substantive functions of agencies. These services have been identified in paragraph 402.

Agency execution when requested by Governments

417. When an agency is asked to implement a programme or project by the Government, it would be necessary to provide for additional payments to cover project execution costs. This can be done in either of the following two ways:

(a) The infrastructure support already provided by the funding sources should be considered to have covered a part of the support-cost. The other part should be negotiated between the Government and the agency on the basis of identifiable cost elements which were not part of the infrastructure arrangement;

(b) It is also possible to introduce limited competitive bidding where executing agents of the United Nations system along with public institutions such as IGOs or national research and training institutions coming from developing countries, are asked to submit proposals.

Advantages of the proposed arrangement

418. The suggested arrangement would have the following advantages:

(a) It would clearly recognize and reflect the principles of partnership and joint responsibility between funding agencies, Governments and specialized (but not necessarily executing) agencies, thereby contributing to greater coherence within the system;

(b) It would provide greater funding predictability to the agencies, thus eliminating foreign exchange risks and making support-cost reimbursements more independent of year-to-year fluctuations in delivery;

(c) It would provide greater transparency of accounts to governing bodies because there would be no ambiguity about the various support elements which are included in support-cost expenditure and also about the responsibility for financing them;

(d) By clearly identifying the support services provided from the regular budget, it might assist agencies in justifying a progressive departure from the present zero-growth funding pattern, enabling them adequately to support a growing operational field programme and render related services;

(e) It would lead to a more direct involvement of agency governing bodies in the planning, review and assessment of field programme activities;

(f) It would make the funding of field programme support more independent of the volume of delivery and allow agencies to concentrate more on the substantive aspects of programme planning and delivery.

Option 2: Support-cost arrangement based on payment for support services at a standard cost and separating it from programme implementation

Summary of the proposal

419. The cornerstone of the arrangement is delinking programme implementation from support service which is essentially technical support. For the purpose of financing, support services are considered separate and distinct from programme or project formulation and implementation. In this arrangement, support cost payment helps agencies in strengthening their capacity for technical support and does not finance any capacity in agencies for providing administrative support to project execution.

420. The funding sources - UNDP or donors of trust funds - share the costs of support services with agency regular budgets. These services are those listed in paragraph 402 at serial (h) to (n). For the first biennium, the payment is related to delivery in the previous biennium. Thereafter, it is related to the cost of services estimated through the periodic cost measurement survey undertaken in the agencies. In a case where the introduction of a cost measurement system is delayed, the support cost payment will be settled through negotiations between UNDP and agencies.

421. Programme implementation being a separate function, it is paid for from the IPF resources. Programme formulation and implementation is the responsibility of Governments, and national execution is the preferred modality for programme implementation. Agency input in the national execution modality is obtained by negotiation and financed from the project budget. In cases where national execution is not preferred, a form of competitive bidding would be followed under a scale of preference, and the execution cost fully covered in the programme budget. Administrative overhead costs for programme implementation of an agency or organization would be expected to have been covered in the financial proposal of the successful bidder.

Further elaboration of the various elements of the proposal

422. There are four questions in this arrangement that should be explained in some detail: (a) what are the support services for which payment will be made? (b) how will the payment be determined and made? (c) how will the programmes or projects be implemented? and (d) if United Nations agencies are selected as executing agents, how will they be paid?

Support services

423. Support services to be provided by the agencies are listed in paragraph 402. Some of these services would be financed from the regular budget, and these are listed from (a) to (g) of paragraph 402. Some other services such as needs assessment and the appraisal and monitoring of programmes could be strengthened with support-cost income. These are technical support services and they are listed from (h) to (n) in paragraph 402. A third group of services could be paid for from the project budgets or specific allocation for such services in the budgets of UNDP or agencies.

424. Since project execution is delinked from support services, no infrastructure for administrative support of project execution is envisaged in agency headquarters in this arrangement. Administrative overhead costs should be included in the proposals for project execution. It is expected that most of the administrative work will be performed in the field. Any headquarters outfit that has to be maintained for administrative support would be planned by an agency in the same manner as it is done by consultancy firms, i.e., on the basis of some expectation of the volume of possible work. This should not be difficult, particularly since agencies would have built-in staff units for technical support services and for their regular work.

425. In addition to normal support services, an agency could be asked to provide special input and for that the cost could be separately determined and paid out of the IPF resources. The kinds of special input or services are mentioned in paragraph 404. Monitoring of programme implementation and sectoral developments, for example, is a normal support function; nevertheless, a Government may seek special input in a certain phase of a programme in terms of participation in a tripartite review or the review of a report. This service would be provided on payment from the project budget.

Payment for services

426. UNDP would make a payment denominated in United States dollars for a two-year period. In the spirit of the partnership principle a proportion of the cost of support services would be financed by UNDP and it would be negotiated. The services to be so financed are those listed in paragraph 402 from (h) to (n). For the first biennium, the payment would have to be fixed on an ad hoc basis and it could be, say, 7 per cent of the project delivery of the previous biennium. For the subsequent biennia, this payment would be related to the findings of the periodic cost measurement survey that each agency would undertake. This arrangement thus demands that a system of periodic cost measurement study be instituted in all agencies. However, if the introduction of a system-wide cost measurement system is delayed, the support cost payment may be negotiated between UNDP and the agencies stipulating that UNDP finances only a proportion of the total cost of the services. Safeguards against currency fluctuations will be built into the support-cost payment by UNDP.

Programme implementation

427. National execution would be the preferred modality as long as competence is judged to be adequate and agency input where required is arranged. Under national execution, executing agents for specific components or phases would be selected by the Government. If an agency is asked to execute a component of a programme, such as procurement or expert recruitment and administration, the payment for the work on the component, including overhead cost, would be negotiated for individual cases out of the project budget.

428. Where national execution is not the preferred modality, the activities under a programme, either in a cluster or individually, could be executed either by a United Nations agency or by an organization outside the system. For this purpose, one option could be to open all jobs to a bidding procedure. This, however, may turn out to be simply unmanageable. Another option would be a bidding procedure stipulating that proposals from the executing agents of UNDP would be given preference. Such a built-in preference may, however, deter private parties from submitting bids. It seems that there would be an advantage if the selection of parties were guided by a scale of preference constituted as follows: (a) the first preference would be for international and national public sector organizations. Designated executing agents of the UNDP (i.e., organizations of the United Nations system) along with IGOs, NGOs and public institutions from the region would bid for specific programmes or projects; (b) the next preference would be for open bidding. It is expected that organizations in the private sector would bid in this case but public sector organizations including agencies of the United Nations system would also be free to put up proposals. The bidding procedure has been detailed in paragraph 406. The size of the programmes or projects would also determine what kind of bidding should be followed. For example, the Group does not see the need for programmes costing less than $100,000 to be put up for bidding. The actual level should be fixed for a programme cycle for each country separately. The nature of projects such as institution-building or a highly technical intervention would also influence the decision on bidding procedure.

Advantages of the arrangement

429. The advantages of this arrangement lie basically in the concept of separation of support functions from programme implementation. These are as follows:

(a) While upholding the partnership concept, it permits competitive bidding for programme implementation and provides for use of organizations outside the United Nations system;

(b) It actively promotes national execution while the support services strengthen project appraisal, monitoring, evaluation and standardization of nationally executed programmes;

(c) Being linked with a system-wide cost measurement system, it enforces accountability on the one hand and makes the arrangement easily replicable for other funding sources on the other.

Option 3: Complete control of country programme by Governments

Summary of the proposal

430. Under this option, Governments would have full freedom in deciding on execution modalities and executing agents within or outside the system as well as the freedom to resort to competitive bidding. This means that Governments would have full deciding power in the administration and implementation of a programme or projects.

431. In view of the accountability of the Administrator to the Governing Council, it is inevitable that there must be certain safeguards. The Government, in consultation with the Resident Representative, would decide how it wishes to implement programmes. The funds would be released by the Administrator in tranches and the Government would ensure that adequate financial and reporting procedures are maintained. These safeguards are not exhaustive and the Administrator and the UNDP Governing Council may want to introduce further assurances. However, they would in no way negate the authority of the Government.

Further elaboration of the various elements of the proposal

432. It was asserted in the Consensus of 1970 and since then in several resolutions of the General Assembly and decisions of the UNDP Governing Council that Governments should be in charge of their own country programmes.

433. These decisions are a reflection of the expansion of national execution and as Governments increasingly play a more active role in the administration and implementation of their externally financed programmes, it is inevitable that they insist on complete command of the related actions in implementation, such as deciding the cost of services and whom they should retain. Apart from the fact that over the years their nationals have acquired skills and expertise to manage and implement complex activities and programmes, Governments already manage their own development plans and enter into very substantial contracts directly with national and international firms.

434. The programme approach would entail a different method of selecting executing agents and would require fuller flexibility than what now obtains under the existing arrangements.

435. The above option means that in the administration and implementation of their country programme, Governments could decide on one or a combination of the following courses of action:

(a) National execution;

(b) Execution by the agencies and/or OPS;

(c) Execution by institutions from other developing countries;

(d) Execution by IGOs;

(e) Execution by NGOs;

(f) Limited competitive bidding;

(g) Completely open competitive bidding.

436. The option proposed would have the following features:

(a) Governments could decide to execute the entire programme if they have the required expertise;

(b) Governments would negotiate directly with agencies the cost of projects which they are asked to execute;

(c) Governments could contract directly with organizations outside the United Nations system;

(d) Governments could decide that the programme or parts of the programme could be open to competitive bidding.

UNDP and the agencies: support-costs

437. There are several activities which the agencies would be required to perform on behalf of UNDP which might not be directly related to the country programme. These functions are as in (k), (l), (m), (n) in paragraph 402. UNDP should remunerate the agencies in such cases. The basis could be actual costs for the services performed or might be reached through negotiation between UNDP and the agencies.

Agencies and donors: support-costs

438. Under the current arrangements, agencies are supposed to charge donors 13 per cent of the cost of projects executed by them. However, in some cases, negotiations which result in a fee less than 13 per cent take place between agencies and donors. The future arrangement might be that agencies and donors negotiate the level of support-costs.

Advantages

439. Since Governments are in control of the programmes, they would inevitably be more committed to ensure that their programmes are successful. The option would open the implementation process not only to IGOs and NGOs, but also to the private sector since Governments could decide that competitive bidding might be desirable.

440. It is hoped that should competitive bidding be undertaken, the appropriate agency would be requested by the Government to submit a project proposal.

Table VII.5. Support-cost arrangements: Option I

Sharing of support cost by funding sources, agency regular budgets and project budgets

I and II	III	IV
Services charged to regular budget	Services charged to UNDP support cost	Services charged to projects (IPF)	Programme/project execution
UNDP pays in the currency of the headquarters site of an agency the cost of certain infrastructure based on: (a) Average annual project delivery of the agency during previous biennium; (b) Agency involvement in support of nationally executed projects; (c) Other special services required by Governments. At the beginning of the year, UNDP negotiates with agency on: (a) Services UNDP may expect from the agency (after a number of years when a new style of country programme has been introduced in most countries, the services to be provided by the agency follow from the country programmes); (b) Which part of the administrative costs should be paid from the regular budget. Three examples how this could be done: (a) The ICAO example: the technical assistance budget is separate from the regular budget.	The number of posts financed by technical assistance budget is known exactly. Support received from staff paid by regular budget is considered agency contribution; (b) Organizations maintaining operational units where staff of these units provide also services to regular programme; time recording can be introduced and payment made for the exact work done; (c) Organizations either maintaining or not maintaining operational units and where no time recording is made; pro rata allocation according to either delivery or actual project expenditure could apply.	Project-specific cost elements to be identified at the project formulation stage such as: (a) Specific missions for project or programme identification and formulation, project or programme appraisal, tripartite reviews, etc.; (b) Specific missions for programme evaluation and participation in needs assessment exercise; (c) Major sectoral studies or periodic reviews of sectors. The relevant items should be separately costed and included in the project budget.	When an agency is asked to execute a programme or project additional payments to cover costs should be done in the following two ways: (a) Infrastructure support already received should be considered to have covered part of the support cost. The other part to be negotiated with Government on the basis of identifiable cost elements; (b) Limited competitive bidding. Executing agents of the United Nations system along with public sector institutions and agents outside the system coming from developing countries are asked to bid.

Table VII.6. Support-cost arrangements: Option 2

Support-cost arrangement based on payment for support services at a standard cost and separating it from programme implementation

Support-cost payment is made for a biennium and denominated in United States dollars but adjusted for currency fluctuations. It finances a proportion of the cost of support services determined on an ad hoc basis for the first biennium and then on the basis of a cost-measurement survey or in its absence through negotiation between UNDP and the agency. Support cost is provided only for technical services and not for administrative support for project execution.

I Services charged to regular budget	II Services charged to UNDP support cost	III Services charged to projects (IPF)	IV Programme/project execution
Agencies undertake the following activities in support of technical co-operation programmes (reference para. 402 (a-g)): (a) Research on development issues; (b) Supply of information and advice; (c) Reference service; (d) Technical co-operation meetings; (e) Public information on technical co-operation activities; (f) Overall budgetary and accounting work; (g) Impact evaluation.	UNDP pays support cost biennially to finance a part of the cost of the support services: (reference para. 402 (h-n)): (a) Regular sector study and advice; (b) Continuous evaluation of technical co-operation activities and sectoral overview; (c) Contribution to country programming exercise; (d) Assistance in programme development; (e) Assistance in programme appraisal; (f) Assistance in monitoring of implementation; (g) Assistance in programme inspection and evaluation.	1. Executing agents indicate in their project proposals when they are selected to execute projects as to what cost they will incur for administrative overheads and other specific activities. 2. In case of national execution, Governments will negotiate with agencies the payment to be made for their specific inputs or involvement, e.g., procurement action or participation in tripartite review. 3. Major sector studies, needs assessment exercise, or missions for a specific purpose, e.g., appraisal, monitoring or evaluation phases of programme execution (as in para. 404).	1. National execution enjoys the first priority and this is decided on the basis of assessment of national capacity and consultation with agencies. 2. The second preference is for limited competition among agencies, IGOs, NGOs and public institutions or firms in the region. 3. All other projects outside these preferences are put up for open bidding.

Table VII.7. Support-cost arrangements: Option 3

Complete control of country programme by Governments

Governments have full freedom in deciding on execution modalitaies and executing agents within or outside the United Nations system and freedom to resort to competitive bidding. Governments have deciding power in the administration and implementation of programmes and projects.

I Services charged to regular budget	II Services charged to UNDP support cost	III Services charged to projects (IPF)	IV Programme/project execution
To be decided by agencies, but most likely the functions listed in the first 10 items of paragraph 402: (a) Research in development issues; (b) Supply of information and advice; (c) Reference service; (d) Technical co-operation meetings; (e) Public information on technical co-operation activities; (f) Overall budgetary and accounting work; (g) Impact evaluation; (h) Regular sector study and advice; (i) Continuous evaluation of technical co-operation activities and sectoral overview; (j) Contribution to country programming exercise.	Activities agencies would be required to perform on behalf of UNDP, not directly related to the country programme, such as (para. 402 (k-n)): (a) Assistance in sectoral or subsectoral programme development; (b) Assistance in programme or project appraisal; (c) Assistance in monitoring programme implementation; (d) Assistance in programme or project evaluation.	Governments negotiate directly with agencies the cost of projects which they are asked to execute (see column IV.b), including administrative overhead costs.	Governments decide on one or a combination of the following courses of action: (a) National execution; (b) Execution by agencies and/or OPS; (c) Execution by institutions from other developing countries; (d) Execution by IGOs; (e) Execution by NGOs; (f) Limited competitive bidding; (g) Complete open competitive bidding.

F. Review of other support-cost arrangements

Option 4: The present support-cost arrangement based on the 13 per cent formula

Advantages

441. The present arrangement has existed since the beginning of technical co-operation activities of the United Nations system. The Group does not recommend the system. However, since it was indicated as a preferred arrangement by many agencies, and also because it is a system to which there is long attachment, the Group felt that the advantages and disadvantages of the arrangement should be considered in some detail.

442. The greatest appeal of the present arrangement is that it is easy to follow and administer. It upholds the partnership principle, and, in that spirit, regular budget support to project execution by agencies should be treated as a contribution rather than as a subsidy. It provides a useful yardstick for support costs to be paid by other extrabudgetary sources. This arrangement provides predictable income to agencies as it has a straightforward relationship with the value of projects an agency executes. It helps an agency to set up standard support services. For UNDP, the arrangement entails limited work-load in as much as administrative support as well as accounting and reporting for technical co-operation programmes is largely done by agencies.

Disadvantages

443. The 13 per cent formula is focused on project execution and consequently an agency receives support cost only if it executes a project or parts of it. Agencies indicated that they get involved in project formulation in the expectation that ultimately they will execute the project and get support costs. If an agency does not execute a project, it cannot claim any reimbursement for involvement in any other phase of the project cycle. Thus, this arrangement, far from promoting national execution, is not at all conducive to this admittedly preferred modality.

444. Long discussions have taken place in the Governing Council, and many studies have been made on the specific rate of support costs as a percentage of total project cost that should be fair to the system. The agencies complain that they are not being compensated adequately and UNDP thinks that agencies do not provide justifiable accounts or service for the payments made to them. As long as there is no uniform cost measurement system in the agencies, the debate on adequate and proper compensation will continue and it will negatively affect the relations between UNDP and the agencies.

445. In order to be fair to Governments, the existing arrangement has to provide for the add-on mechanism, although it has not proved to be very useful in strengthening government capability. Add-on funds have not promoted specific training programmes for national project personnel, nor have they been sufficient to make an impact on IPF allocations. Nevertheless, under the existing arrangement, based on the principle of reimbursing executing agents, it must continue no matter whether it is useful or not.

446. One of the major deficiencies of the formula is its automaticity. Since it is a fixed ratio of project cost, the level of agency income depends on the level of delivery. This feature is responsible for the allegation levelled against agencies that their technical co-operation activities are volume driven. This formula naturally prevents competition with organizations outside the United Nations system.

Differential rates for World Bank and OPS

447. The differential rate of 11 per cent for World Bank and OPS is a sore point with agencies since it is considered to encourage Governments as well as UNDP to discriminate against the higher cost of 13 per cent for agency execution. A lower rate of support costs is justified in the case of OPS because of the kind of service it provides, which does not call for much of technical backstopping. There is justification for a lower support-cost rate not only for the World Bank but also other development finance institutions such as regional banks. These institutions generally execute technical co-operation projects which are closely linked with their capital assistance projects, which in any case are supervised closely by them. However, as long as one uniform system of a percentage of project cost reimbursement prevails, it is difficult to maintain a differential rate.

Differentiation by volume and speed of delivery

448. The principle of differentiated rates based on different factors was considered in depth by the Inter-Governmental Working Group on Support Cost in 1978-1980. 12/ The flexibility provision introduced in 1959 13/ recognized that agencies dealing with a small volume of delivery should receive higher compensation. The Working Group considered extending this concept by linking payment to economies of scale. It was felt, however, that scale economy was only one factor of project support-cost and relevant in case of very low delivery. It is also observed from experience, particularly that of WHO and OPS, that the issue of economies of scale becomes relevant only when there is a very large programme. The Rhodes study on agency support cost also suggested that rates for project extensions should be lower than the normal rates. The idea was to speed up delivery and prevent perpetuation of projects. It was felt that such a formula could hurt project quality and would not provide for unavoidable project extensions.

Differentiation by components of project delivery

449. Consideration was also given to differentiating rates according to dominant components of project costs, e.g., procurement, training or expert services. While this differentiation was rejected on the ground of complexity, in fact it is followed in a few trust funds or multi-bi projects by some agencies. It seems, therefore, that while differentiation in respect of economies of scale or periods of delivery may not be considered, it should not be difficult to introduce a differentiated scale based on project components. A differentiated scale of say 18 per cent, 12 per cent and 10 per cent could be considered for expert service, training, and procurement-oriented projects respectively. It should be necessary in such an arrangement to establish that any one component accounts for a significant proportion, for instance 60 per cent or more, of the project cost. Otherwise, the uniform rate should apply.

450. On the whole, the existing arrangement does not meet the main considerations which the Group has identified for an acceptable support-cost system. Furthermore, this arrangement is not in tune with the perception of partnership described by the Group in this report.

Option 5: Zero support-cost based on support service being financed by regular agency budgets

451. The concept of zero support-cost means that agencies would provide all support services from their regular budgets and all voluntary contributions would be available for actual delivery of technical assistance. This may mean an increase in availability of resources for the recipients although donors could exercise the option of increasing assessed budget and cutting down on voluntary contributions. An argument could be made that this concept should lead to financing the UNDP administrative budget from the regular budget of the United Nations.

Zero support-cost and monopoly in delivery by agencies

452. Zero support-cost arrangement can continue with the present system of some kind of monopoly of agency execution of technical co-operation activities and may even reinforce it. Since agencies will provide all support-cost from their regular budget under this arrangement, they can claim a return to the EPTA allocation formula whereby shares of voluntary contributions are virtually distributed to them. It may help the programme approach because agencies will no longer be interested in selling projects to augment income or recycle experts. Such an arrangement, however, will not promote national execution at all, nor will it encourage the use of organizations outside the United Nations system.

Alternative zero support-cost option

453. Nevertheless, the zero support-cost arrangement can be worthy of serious consideration if it approaches technical co-operation programmes in a different way. It can consider support service as a responsibility separate from actual programme implementation. In that case, the regular budgets of agencies would provide for support services only, while programme implementation would be managed in the same way as explained in option 2.

Advantages

454. The zero support-cost arrangement of either variety has a few advantages of its own. First, because support-cost expenditure will be from regular budgets, the governing bodies will be paying greater attention to the use of funds for support services. Second, the problem with uncertain levels of income and temporary staff will disappear. Further, accountability for support costs will not have to be furnished to an outside governing council. Accountability for inputs and outputs of programmes funded by UNDP would still, of course, have to be discharged. In fact, as discussed in the previous chapter, it is really a tripartite accountability and it has to be tackled as the joint responsibility of all three partners.

Disadvantages

455. The zero support-cost arrangement would not be easy to introduce. The major difficulty is in overcoming the notion that technical co-operation programmes should essentially be financed from voluntary contributions. A further obstacle is the present practice of zero growth budgeting for the United Nations system as a whole.

456. An unhealthy outcome of this arrangement may be some weakening in co-ordination at the field level. The interaction between UNDP and agencies is likely to be much less.

457. This arrangement would require some changes in the rules and regulations of some agencies. Regular budgets would be required to support operational activities funded by other sources.

458. On the whole, this arrangement does not appear to be pragmatic, nor is it in harmony with the partnership concept of this report.

Option 6: Charging support-cost to project budget

459. This arrangement would require all voluntary contributions to be distributed to IPFs and necessitate the coverage of overhead costs in individual programmes or projects. It is in a way the reverse of zero support-cost option. Agencies would not provide any budget support for technical co-operation programmes. When they perform a service for a programme or project they would charge the project budget for all their costs. Unless agencies are given a monopoly or some preference, this arrangement would mean the end of partnership in technical co-operation programmes. This arrangement can be set up in different ways.

Standard reimbursement practice

460. Agencies could be fully responsible for programme implementation and they could be paid a percentage of project cost to cover their overhead costs. In such an arrangement, there would be very little justification for the payment of a flat rate. It would have to differ at least according to the type of projects. Different rates for different major components of the projects can be considered. Rates such as 18 per cent for expert service, 12 per cent for training and 10 per cent for procurement may be considered. The determination of the rates would call for a cost measurement system in the United Nations agencies to establish at least the magnitudes of specific overhead expenditure. This arrangement would be no different from the present system except that the budget line for payment would change. The attractions and difficulties of the present system have been discussed in option 4.

Negotiated support-cost on a project or programme basis

461. Agencies may negotiate with Governments support costs as well as the services to be provided once IPF resources are allocated to sectors and sectoral programmes. Under this arrangement, agencies would have to provide their inputs

for country programming without any expectation of any support-cost earnings. This may be the only provision for supporting technical co-operation programmes in the regular budgets of agencies. Only after that phase could they find out what kind of a programme they would be called upon to support, or support and implement. This means that they would provide only the services that a Government decides to obtain from them. The advantage of this arrangement is that all parties would know exactly what is to be done and what the costs are. The agencies would have to estimate their costs exactly and there would be pressure for performing the agreed functions. It is likely that agencies would be engaged for functions they perform best.

Disadvantages

462. The disadvantages, however, are many. The process of negotiation can be endless and it may increase tension among the three partners. The partnership concept would be weakened as agencies may not provide any support for technical co-operation in their regular programme. It would be difficult to do any advance planning for support service to be provided to countries. The considerations of predictability of services required or resources available would not only suffer but might disappear altogether. This would weaken the capability of the agencies to be of service when most needed. This arrangement would go to the other extreme of competitive bidding and may not provide sufficient safeguard for the monitoring and evaluation of programme activities. While IPF allocations to countries would increase, the real value of technical co-operation programmes may, in fact, decline, since negotiations may prove costly both in time and money and overseeing the programme may be carried out considerably less efficiently.

463. Despite the neatness of the arrangement and some advantages, it also does not receive the support of the Expert Group.

Option 7: Universal bidding for technical co-operation activities

464. In this arrangement, it is expected that agencies would carry out their mandated functions, including sector study and constant overview of sectoral development in countries with their own resources. All programme implementation would be managed by Governments and activities (i.e. projects) would be contracted out to qualified parties through open competition. In this arrangement, there is a distinct separation between programme implementation and other phases of project cycle. In programme implementation no special role of the United Nations system is envisaged. It is likely that government institutions would enjoy preference so that whenever national execution of a programme is considered, there will be no bidding. Otherwise it will be open bidding in which United Nations agencies together with others may compete. For the bidding procedure, it would be advantageous to provide some guidelines on size of programmes to be put up for bids, and on rules for short listing of contractors.

465. The appeal of the arrangement is its simplicity and cost-effectiveness. It would open up greater opportunities to the private sector and organizations outside the United Nations system to participate in technical co-operation programmes in

all developing countries. Further, it is likely to improve the quality and speed of delivery of technical co-operation inputs.

466. However, the Group cannot recommend this option because it is not fully in conformity with the partnership principle in the United Nations system. Moreover, this arrangement cannot guarantee the continuous support which the United Nations agencies can provide to technical co-operation programmes of recipient countries. This report, indeed, considers that the strength of the United Nations system lies in its capacity to provide the continuous support that is so essential for technical co-operation programmes.

VIII. CONCLUSIONS AND RECOMMENDATIONS

467. This chapter presents recommendations and conclusions based on the findings which have been discussed in the preceding chapters. The report highlights five fundamental recommendations which constitute the main thrust. National execution will and should increase significantly. The programme and sector approach in technical co-operation is likely to become important and, therefore, pooling of all resources of the United Nations system may become inevitable. A clear division of responsibilities between the Governments, UNDP and agencies, and decentralization of functions and delegation of authority to the field by the United Nations system on an unprecedented scale will become necessary. These are not mere trends but the realities of the 1990s.

A. Changing technical co-operation needs

468. Over the past 20 years, the technical assistance needs of the developing counties at different stages of development have become substantially more differentiated. The middle-income countries require increasingly highly specialized inputs from the United Nations system, whereas in the LDCs and low-income countries, there is a need for more sustained support on a longer-term basis. Domestic as well as external imbalances have made policy issues such as structural adjustment, trade policy, debt management, price policy, and, more generally economic management and the social dimension of development, matters of special concern in technical co-operation programmes.

469. Many low-income countries are facing growing difficulties in providing the required local counterpart to externally financed technical assistance projects. In all countries, there will be a growing demand for more short-term, highly technical advisers, rather than for long-term internationally recruited experts.

470. In a differentiated world, the need for easier and speedier access to the accumulated knowledge and experience of the United Nations system has vastly increased. Better dissemination and sharing of lessons learned from successes and failures of past technical co-operation efforts are critical for the effective delivery of development services.

Recommendations

471. The following recommendations are made:

(a) The system should vigorously promote the internalization of the development process in the developing countries through all its technical co-operation programmes. Governments should be assisted in their endeavours to assume full leadership in the overall programming process as well as in the formulation of individual programmes and projects. The full involvement of Governments in programme management through the expanded use of indigenous expertise and national institutions and the use of the national execution modality will be essential aspects of the internalization process;

(b) Project success and impact should be measured mainly by the extent to which national human resources and institutions have been built up, and by the contribution of a project to the internalization of the process;

(c) The system should become more selective and critical in the choice of the technical inputs it provides to developing countries in the framework of technical co-operation activities to ensure that the assistance meets the requirements of the recipient countries at the highest technical level;

(d) The recipient countries should continue to have the final responsibility for choosing required expertise, in consultation with UNDP and the agencies. They should be more closely involved in the process of identification of such expertise;

(e) The system should give greater weight to technical co-operation among developing countries, particularly for the replication of relevant experience and transfer of technology.

B. The capacity of the system for technical co-operation

472. There are indications that over the past two decades the technical capacity of the system and the support provided to field programmes has gradually eroded. The reasons underlying this general trend are complex, and are partly related to the difficult budgetary constraints and the increasingly uncompetitive United Nations system remuneration levels. Other factors are an insufficiently critical attitude on the part of agencies in evaluating their own technical competence vis-à-vis those of specialized institutions outside the system; in the staffing of technical assistance projects; and in the excessive number of projects agencies execute in relation to the available technical supervisory staff.

Recommendations

473. The following recommendations are made:

(a) The overall number of projects directly executed by agencies should be reduced and more carefully balanced against the available professional staff resources and other broader demands put on the agencies;

(b) Within their broad basic mandates, agencies should review more critically the areas where they themselves possess internationally recognized technical excellence and limit their direct intervention in field projects primarily to these areas;

(c) In other areas within their broad substantive mandates, agencies should play a catalytic role in identifying expertise available world wide and advise Governments and funding sources accordingly. They should also assist in bringing together specialized development institutions from outside the system for the exchange of information and ideas;

(d) In conformity with their broad sectoral mandates, agencies should maintain substantial involvement in field programmes. In the interest of continuity and the need for impartial sectoral advice and standardization, Governments and funding sources should ensure agency involvement in the preparation and implementation of sectoral programmes;

(e) Agencies should be prepared within their specializations to provide a range of services to Governments in support of their technical co-operation programmes. Such services could cover the preparation of country sector profiles; the assessment of technical co-operation needs, the provision of information from computerized data base or registers of experts and institutions, programme or project appraisal, especially the technical review of programmes; monitoring and inspection of programme implementation; better feed-back to field progress reports; and systematic programme evaluation;

(f) The system should make the best use of the developments in informatics to be in a position to provide stored information and knowledge from accumulated experience freely and speedily to the developing countries. The linking up of the computer networks of the United Nations system, including the World Bank and IMF, should receive priority attention;

(g) Governing bodies must recognize that a continuation of present budgetary and remuneration policies will increasingly erode the system's technical capacity, and thereby diminish its potential as a source of development support to developing member countries.

C. The funding of technical co-operation in the United Nations system

474. The initial effort to promote a central funding arrangement as a result of the capacity study did not fare well. UNDP is no longer the major source of multilateral technical co-operation funds because of the growth of bilateral technical assistance and the increase in the programmes of the World Bank, other development institutions and extrabudgetary resources. This current trend of diversifying of funding modalities is not likely to be reversed.

475. The value of United Nations system technical co-operation is appreciated by both recipient and donor Governments. The latter see it as a yardstick to check the validity of their own technical co-operation programmes. The channeling of resources through UNDP still offers a very useful and proven way of optimizing the utilization of resources.

476. This positive record and the continued need for grant technical assistance necessitate augmentation of the core resources of UNDP.

Recommendations

477. The following recommendations are made:

(a) The system should strive towards greater integration of all available United Nations system resources at the country level so as to achieve a maximum combined impact in support of Governments' global and sectoral development priorities;

(b) UNDP should remain the principal agent for the mobilization of technical co-operation resources. Its core fund should continue to be the central resource base and UNDP core resources should be significantly expanded to provide a sizeable source of funds which is totally untied, and which can meet the priorities of developing countries in a neutral, impartial and objective manner. It is of critical importance that predictability of resource levels in the UNDP core fund is assured through multi-year pledging of voluntary contributions;

(c) Proliferation of funds should be resisted by the United Nations system and the administration of tied resources should be considered under the conditions that:

(i) they remain at a reasonable proportion to the total operational activities of the concerned organization;

(ii) they represent a modest proportion of the untied contributions of the concerned donor, and

(iii) there is a gradual movement towards untying the sources of procurement of the concerned funds.

D. The tripartite relationship and the future roles of the partners

478. Since the adoption of the Consensus resolution in 1970, UNDP and the agencies have become increasingly more detached from each other. Agencies have mobilized substantial amounts of funds for technical co-operation outside the IPF framework and UNDP has promoted independent development initiatives in which the agencies were only marginally involved. However, there appears to be general agreement in governing bodies, in UNDP and in the agencies that the partnership principle should remain the basic framework for carrying out United Nations system technical co-operation but that some of its provisions require a more flexible, and, at the same time, a more comprehensive interpretation. It must also be underscored that co-operation between agency staff and UNDP field offices is generally good and manifested in many practical ways.

Recommendations

479. The following recommendations are made:

(a) The Consensus should be interpreted more flexibly to ensure that Governments can choose the required services from the broadest possible range of sources available world wide, both within and outside the United Nations system;

(b) The system should interpret the partnership principle more comprehensively to cover not only IPF resources but also those mobilized by the agencies, such as trust funds and multi-bi programmes, as well as UNDP-administered resources such as the management and project development facilities. The same principle should apply regarding the involvement of agencies in UNDP-initiated development support activities such as NaTCAPs and round-table meetings;

(c) In addition to laying greater stress on the partnership principle, both UNDP and the agencies should develop and strengthen practical measures for achieving more intensive collaboration. The following are of particular importance:

(i) Regular interchange of field and headquarters staff through joint briefing and training activities for professional staff should be encouraged. UNDP should provide training programmes for all new staff under the auspices of UNITAR. These programmes should be open to the entire United Nations system and should aim at providing the necessary orientation for service in the system;

(ii) The various training programmes now under way for mid-career staff, Resident Representatives and field staff should be strengthened, continued and made accessible more widely than at present. All staff members selected for the position of Deputy Resident Representative and above must take management training before assuming such duties;

(iii) The UNDP support services to the entire United Nations system in the handling of funds and logistical support should be continued. Where the support required is outside the normal services expected, e.g., servicing large trust fund programmes, UNDP should be compensated for the additional work-load;

(iv) Despite the difficulties encountered so far in sharing common premises by United Nations organizations, the objective should be pursued with renewed efforts in the long-term interest of the system;

(d) The role of the partners in the tripartite relationship can be envisaged as follows:

(i) Governments maintain overall responsibility for programming, project management and implementation, including the implementation of programmes and projects through national institutions. With the support of the United Nations system, they will exercise their accountability for the resources provided to them;

(ii) In addition to resource mobilization, UNDP must continue to provide team leadership and co-ordinate United Nations system efforts at the country level in support of the overall programming and programme management responsibilities. UNDP should also play a catalytic role in evaluating experiences and in promoting new development approaches in the light of the changing requirements of Governments;

(iii) The agencies should give considerably more emphasis to broader development support functions such as sector analysis and the synthesis of development experience in their fields of specialization. Their role in direct project execution will decrease but they will be expected, irrespective of the implementation modality used, to support Governments in programme development and management;

(iv) In assisting Governments in programme management and implementation, the Resident Co-ordinator is and should be the team leader who mobilizes the talents and expertise of agency field staff and experts. The strength of UNDP field offices should be reviewed on a case-by-case basis, including the level of staffing, to enable them to discharge their increased responsibilities and system-wide servicing roles.

E. The programming of technical co-operation and alternative execution modalities

1. The country programme exercise

480. It is now generally recognized that the country programme approach has failed to provide a general frame of reference for all United Nations system assistance. There is general agreement that the only meaningful frame of reference is the Government's own development plan, within which all United Nations system assistance should be co-ordinated and programmed. The United Nations system has a special responsibility in assisting Governments to make a more comprehensive assessment of their technical assistance needs and requirements.

Recommendations

481. The following recommendations are made:

(a) Country programming should be government-led and Governments should present together with the Administrator their programmes to the UNDP Governing Council for consideration and approval;

(b) Under the overall guidance of the Resident Co-ordinator, United Nations system agencies should assist Governments through sector analysis and needs assessment exercises to develop a comprehensive inventory of their technical assistance needs. These exercises should be carried out on a continuous basis to build up increasingly reliable data and information on technical co-operation requirements;

(c) Programming periods should be adjusted as much as possible to government planning cycles.

2. The programme approach

482. Project proliferation has led to the dissipation of resources over many activities, straining the capability of Governments to service them and impairing the capacity of the United Nations system to provide adequate technical and administrative support. A programme approach, placing emphasis on sectoral, subsectoral or thematic links between diverse activities and serving Governments in macro-economic or sectoral objectives can be of greater value to developing countries.

Recommendations

483. The following recommendations are made:

(a) Programme approach to provision of technical co-operation should be the objective of the United Nations system. In low-income and least developed countries, particularly those with substantial technical co-operation needs, a programme approach is essential. For countries at high levels of development, there may be a more selective approach;

(b) The country programming exercise should not as a rule be involved in the listing of projects; it should identify objectives by sectors and subsectors around which a series of interconnected but distinct activities can be formulated and organized;

(c) Following the approval of a country programme, Governments should draw up programmes of action for sectors or subsectors which will centre on definite objectives and provide a time schedule and implementation plan. It should list activities necessary to achieve the objectives but would have the flexibility to adjust them as implementation progresses;

(d) Agency involvement in the implementation of a programme should be continuous and encouraged throughout even if the initial intervention is only limited and short term;

(e) Evaluation of impact and sustainability through programme evaluation should be given a much higher priority and the central evaluation offices in the system accorded better status and adequate means. The Group endorses the recommendations of the Joint Inspection Unit that central evaluation offices be directly responsible to the heads of the organizations and be structured to adopt the inspectorate-general approach.

3. Programme implementation

Recommendations

484. The following recommendations are made:

(a) Programme implementation should be managed by the Government in all cases, irrespective of the modality adopted and of the executing agent involved;

(b) Governments should strengthen programme management by making appropriate arrangements. The Group sees the need for the appointment of senior programme managers, with authority and access to the highest echelons of the respective government institution, to manage specific programmes;

(c) Reputed IGOs and NGOs such as the Consultative Group on International Agricultural Research (CGIAR), Asia and Pacific Development Centre (APDC), the Latin-American Demographic Centre (CELADE), the International Planned Parenthood Federation (IPPF), the International Institute for Education (IIE) or the Co-operative for American Relief Everywhere (CARE) should be executing agents without the involvement of an intermediary;

(d) In order to improve quality and speed of delivery, UNFPA should have the flexibility and freedom to choose executing agents on the basis of performance and cost-effectiveness. In this connection, NGOs which now execute a modest part of the UNFPA programme should be used more extensively in the implementation of UNFPA activities. The system of regional and inter-regional advisers should be closely examined to determine if their services meet the objectives set for them and at the desirable standard of effectiveness.

4. Direct execution by UNDP

485. It is generally acknowledged that, for certain types of projects which do not involve substantive technical inputs, OPS is providing valuable services and that its response is speedy and efficient.

486. There are also indications that the demand for management services, which are generally not provided by the system, will increase in the future. There is concern, however, that management services agreements entered into with bilateral donors might adversely affect the multilateral character of United Nations assistance, especially when the assistance is tied to procurement sources.

Recommendations

487. The following recommendations are made:

(a) The Office for Project Services, which in the view of the Group provides valuable service, should continue to concentrate on certain multisectoral activities and activities of a non-technical character which are amenable to

subcontracting and which do not clearly fall within the competence of a particular agency;

(b) Management services provided by the Office for Project Services should continue but the overall volume should be reasonably balanced with that of the core programme and resources. The magnitude of involvement with individual donor countries should also be maintained at a reasonable level;

(c) UNDP should ensure that early consultations are conducted with agencies on activities that the Office for Project Services undertakes as an executing agent. Where appropriate, this could also apply to management service agreements so as to enable the Office to make greater use of technical competence existing in the system. In certain types of projects, the Office could also provide management service to agencies and their activities or assume the execution of suitable components of agency-executed projects.

5. National execution

488. The use of national execution is essential to promote the long-term goal of Governments to achieve self-reliance. The UNDP Governing Council has stressed that national execution will be the ultimate modality for UNDP-supported projects. It is expected that the use of this modality will increase at a rapid pace.

489. There are, however, some practices in the use of this modality which require strengthening or correction, in particular, the fulfilment of accounting and reporting obligations need improvement. Governments should rely less on UNDP field offices for tasks which they, as executing agents, should carry out.

490. Agency execution is expected to decline with the increase in national execution but agency support to programme development and implementation will continue to be important.

Recommendations

491. The following recommendations are made:

(a) The capacity of UNDP and agency field offices should be reviewed in the light of the need to support the increase in national execution;

(b) UNDP field offices should intensify training courses to strengthen the capacity of Governments for national execution with special emphasis on programme management and administration, United Nations system accounting and reporting procedures. Provisions should be made in the administrative budget to carry out these activities and to assist the strengthening of government capacity to execute projects themselves;

(c) Resident Representatives should have the authority to decide on executing arrangements of nationally executed projects as well as other projects executed by executing agencies/agents;

(d) UNDP should examine the possibility of simplifying its reporting requirements and financial rules with respect to national execution;

(e) In addition to carrying out sectoral assessments, agencies should assist national execution efforts by participating in the appraisal, monitoring and evaluation of programmes or projects.

6. Regional programmes

492. A substantial part of the available IPF resources is currently allocated to non-country IPFs. The impact, particularly of regional projects, is, in some cases, questionable, and requires more intensive monitoring and review. Regional programmes have a potentially important role to play in areas such as economic integration and other problems which transcend national boundaries. In order to be effective, regional programmes must have full financial and political support at the national level.

Recommendations

493. The following recommendations are made:

(a) The programming of regional funds should be more closely linked to national programmes to ensure that regional activities receive the political and financial support required for their effectiveness and impact;

(b) Regional programmes should be carefully planned, their execution effectively monitored, and they should be evaluated thoroughly for their impact. Regional commissions should make use of available technical competence in the system and focus their activities on areas where they have in-house capacity for execution;

(c) Allocations for regional and global programmes should closely relate to the needs rather than to geographical balance in the allocation of resources.

F. Procedures for programme management and implementation

494. The procedures and decision-making processes applied in the United Nations system in connection with the programming, planning and implementation of operational activities are cumbersome and as a result the system's response to government needs is generally too slow. Decision-making in several aspects, such as approval, appraisal and implementation, is still highly centralized, both in agencies and in UNDP. The physical distance and communication difficulties between field, agency and UNDP headquarters further exacerbate the situation. Instead of providing a broad guiding framework for decision-making at the local level rules and regulations are presently spelled out in elaborate detail, and they are bureaucratically controlled from the various headquarters. In turn, the respective headquarters are overburdened with a multitude of project-related tasks that are often handled in a perfunctory manner. The time of too many professional staff

members at the various headquarters is consumed by routine operational tasks which could be decentralized to the country level.

Recommendations

495. The following recommendations are made:

(a) Existing procedures regarding programming, the preparation of project documents, reporting and evaluation should be drastically simplified, providing only general guidance, while stressing the essential elements and leaving greater freedom to country offices for their interpretation and adaptation to local requirements;

(b) The introduction of simplified procedures should be accompanied by intensive joint training and briefing sessions for local UNDP and agency staff;

(c) Authority for all aspects of programme implementation in the framework of an approved country programme should be decentralized to the field. Only in very exceptional circumstances should headquarters retain the option of approval of individual programmes or projects within the country programme;

(d) Decentralization will need to be accompanied by redeployment of staff from the respective headquarters to reinforce both UNDP and agency field offices;

(e) Decentralization should be accompanied by a more extensive system-wide use of computerized data bases and information links;

(f) In order to provide the necessary support to Governments in this respect, UNDP offices should have at their disposal the required accounting expertise, and the UNDP/agency professional field team should assist Governments on matters such as the identification of national and international expertise, the procurement of equipment and services, and reporting;

(g) With respect to equipment procurement, the major responsibility and initiative should be at the country level. Common user items, which make up a large share of total equipment procurement, should be procured either locally or through a centralized pool with the assistance of the Inter-Agency Procurement Service Office. In procuring highly specialized equipment, consultation with the competent technical services at agency headquarters or regional offices is essential.

C. The accountability of the three partners

496. The concept of accountability in a legal sense is well-defined: it pertains to the delivery of inputs, financial aspects and timeliness in the discharge of other obligations. Accountability has, however, focused mainly on these input-related aspects, whereas the use of support-cost income, the impact of projects as well as the achievement of long-term objectives and sustainability have received insufficient emphasis. Governing bodies have referred to these

deficiencies as a lack of transparency, particularly with respect to the use of support-cost income and programme impact. The ex post facto reports as presently prepared do not provide adequate information concerning the use of support-cost income, nor are the results comparable between agencies.

Recommendations

407. The following recommendations are made:

(a) Accountability should be broadly interpreted to cover the inputs provided, the results achieved, and the use of support-cost income. The recipient Governments, UNDP and agencies are accountable to governing bodies in all three areas in general and the UNDP Governing Council in particular;

(b) UNDP and agencies are also accountable to recipient Governments because they are entrusted with the technical and managerial responsibility to ensure that the best available inputs have been provided for the achievement of programme objectives;

(c) In order to improve accountability for the use of support costs, a cost-measurement system should be introduced. Such a system should provide data which are comparable between agencies and the cost of commonly agreed support functions. An inter-agency task force, including UNDP and using the services of a consultant, should be requested to develop such a cost-measurement system;

(d) Output accountability should be approached through a series of interrelated measures and activities which will improve the monitoring and control of the respective responsibilities within the partnership:

(i) At the country level, UNDP, Governments and the agencies should carry out annual reviews of programme implementation, preferably with headquarters participation, covering all sources of funding provided by the system. UNDP headquarters and agency headquarters should thoroughly review these reports and apprise the respective field offices of their comments. The reports should also provide an overview of the results and implications of tripartite reviews on individual projects undertaken during the period;

(ii) The tripartite review process for individual projects should be strengthened, and at the same time made more selective, concentrating on those projects which by their nature require such a review. It should focus not only on the delivery of inputs but give considerably more emphasis to qualitative and performance aspects in relation to project objectives. Where appropriate, the project document should specifically provide the funds necessary for the conduct of the tripartite review, specify the agency presence required, and make appropriate budgetary provisions;

(iii) The periodic meetings held at agency headquarters level with funding sources to assess progress in the programming and delivery of technical and administrative support should continue, preferably at the regional

bureau level. These meetings should consider a carefully planned agenda with the aim of preparing a joint biennial programme of work. Output accountability and identification of sectoral or thematic evaluation activities should be specifically included in the agenda;

(iv) External auditors should assess, perhaps on a spot-check basis, agency participation in nationally executed projects and technical assessment exercises following a standardized reporting format such as the one suggested in annex VI for all UNDP-financed activities;

(v) Consideration should be given to the preparation of a comprehensive periodic report on technical co-operation achievements by the system as a whole. Such a report should be performance-oriented, highlight special themes and indicate new priority areas which are emerging. It should be prepared under the leadership of UNDP with inputs from agencies and Governments. It should be reviewed by all governing bodies in the system.

H. Support-cost successor arrangements

498. The Group reviewed seven options, three of which it recommends to the Governing Council. The salient features of the three recommended options are presented in tables VII.5, VII.6 and VII.7 on pages 142 to 144. The merits and disadvantages of each option, the specific considerations against which all were judged, and options for coping with fluctuations in exchange rate are presented in chapter VII.

Notes

1/ Cf. ECLAC, Recent Economic Trends in Latin America and the Caribbean, (LC/L.492 (CEG.15/3).

2/ OECD/DAC Twenty-five years of development co-operation, p. 269.

3/ See technical papers for the triennial review of operational activities A/44/324-E/1989/ of 29 June, 1989.

4/ See document ACC/1988/OP/1/CRP.13, 1987.

5/ For a comprehensive description of activities see paragraph 19 of document DAC/EV(88)2 (1st Revision) of 24 May 1988.

6/ See document DP/188/19/Add.4 of 12 April 1988.

7/ See document DP/1989/17 of 7 March 1989.

8/ See document DP/1989/17 of 7 March 1989.

9/ UNDP Governing Council decision 80/44 of 27 June 1980.

Notes (continued)

10/ JIU Report: DP/WGOC/1 of 12 November 1977.

11/ JIU reports E/1989/41 and E/1989/41/Add.1 of 21 February 1989.

12/ The documents listed below are especially important:

DP/WGOC/25 of 29 November 1978

DP/WGOC/26 of 28 December 1978

DP/WGOC/27 of 20 February 1979

DP/WGOC/32/Rev.1 of 26 August 1980.

13/ Resolution 737 (XXVIII) of 30 July 1969.

See also document UNDP: DP/200 of 7 May 1976

DP/379 of 29 March 1974.

Annex I

TERMS OF REFERENCE AS SET OUT IN GOVERNING COUNCIL DECISION 88/50

The Governing Council

1. Considers that the successor arrangements for agency support costs dealt with in paragraph 34 of General Assembly resolution 42/196 of 11 December 1987 should be examined in the wider context of the evolving relationship of the United Nations Development Programme, Governments and the executing agencies of the United Nations system;

2. Decides as a means of facilitating its consideration of the most appropriate successor arrangements, to establish a small group of experts in the field of international development to make a thorough study of all the relevant issues and to make available its recommendations no later than 28 February 1990, and requests the Administrator to circulate the report and recommendations immediately, together with the comments of the specialized agencies, to all members of the Council to facilitate full consideration of this matter at the thirty-seventh session (1990) of the Council;

3. Requests the Administrator, after consultation with members of the Council and in close consultation with the United Nations agencies, as appropriate, to make a proposal to the Council at its special session in February 1989 on the following:

(a) The appropriate composition of the group;

(b) The working methods of the group and a timetable and work programme to be undertaken, following receipt of the group's recommendations, so as to ensure that the Council is in a position to take a decision no later than June 1991;

(c) An estimate of all costs and financing associated with the exercise, including the programme of work following the group's recommendations;

(d) The terms of reference for the expert group, which should include proposals on:

(i) The best way for the United Nations Development Programme to provide technical assistance to the developing countries, taking into account the evolution of new modalities for technical co-operation, as well as the capacity of the United Nations system to provide the required services;

(ii) Appropriate compensation arrangements to the United Nations agencies, Governments and other providers of services for United Nations Development Programme-funded projects on a basis which ensures enhanced accountability, project quality and maximum cost-effectiveness;

(iii) The manner in which the United Nations Development Programme, executing agencies and Governments would participate in this exercise;

(iv) Alternative arrangements between the United Nations Development Programme, executing agencies and Governments in the execution of United Nations Development Programme-financed activities, both projects and programmes.

Annex II

LIST OF COUNTRIES, AGENCIES, ECONOMIC COMMISSIONS AND DONOR COUNTRIES VISITED BY THE EXPERT GROUP

Recipient countries visited

Discussions were held with various ministries, departments, local representatives of the United Nations Field Offices, donors and NGOs in each country. a/

Africa

Republic of Chad
Ghana
Mauritania
People's Republic of Mozambique
Rwanda
Sierra Leone
Tunisia
Uganda

Latin America

Brazil
Chile
Ecuador
Guyana
Honduras

Asia/Pacific

People's Republic of China
India
Myanmar
Papua New Guinea

Regional economic commissions visited

Economic Commission for Africa (ECA) - Ethiopia
Economic Commission for Europe (ECE) - Geneva
Economic Commission for Latin America and the Caribbean (ECLAC) - Chile
Economic and Social Commission for Asia and the Pacific (ESCAP) - Thailand

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a/ In Addis Ababa, Bangkok, Harare and Nairobi, the visiting members of the Group met with Resident Co-ordinators and some field representatives of agencies.

Bilateral meetings with donor countries

Austria
Canada
Denmark
Federal Republic of Germany
France
Italy
Japan
Switzerland
United Kingdom
United States of America

Meetings with groups of countries

Group of Western Donors
Group of East European Countries
Recipient Member Countries of the UNDP Governing Council
Member States of the Governing Council

United Nations agencies and organizations

Centre for Social Development and Humanitarian Affairs

Department of Technical Co-operation for Development (DTCD)

Division of Narcotics Control

Food and Agriculture Organization of the United Nations (FAO)

International Atomic Energy Agency (IAEA)

International Bank for Reconstruction and Development (IBRD)

International Civil Aviation Organization (ICAO)

International Fund for Agriculture Development (IFAD)

International Labour Organisation (ILO)

International Maritime Organization (IMO)

International Telecommunication Union (ITU)

International Trade Centre (ITC)

Office of the Director-General for International Economic Co-operation (DIEC)

Secretariat of the Consultative Committee on Administrative Questions (Financial and Budgetary Questions) - CCAQ (FB)

United Nations Centre for Human Settlements (Habitat)

United Nations Children's Fund (UNICEF)

United Nations Conference on Trade and Development (UNCTAD/GATT)

United Nations Development Programme (UNDP)

United Nations Development Programme - External Auditors

United Nations Educational, Scientific and Cultural Organization (UNESCO)

United Nations Fund for Drug Abuse Control

United Nations Population Fund (UNFPA)

United Nations High Commissioner for Refugees (UNHCR)

United Nations Industrial Development Organization (UNIDO)

United Nations Volunteers Programme (UNV)

Universal Postal Union (UPU)

World Food Programme (WFP)

World Health Organization (WHO)

World Intellectual Property Organization (WIPO)

World Meteorological Organization (WMO)

Annex III

STATUS OF SIGNATURES OF STANDARD BASIC EXECUTING AGENCY AGREEMENT

A. 1. Executing agencies that have signed the standard basic executing agency agreement

African Development Bank (AfDB)

Asian Development Bank (AsDB)

Caribbean Development Bank (CDB)

Inter-American Development Bank (IDB)

International Bank for Reconstruction and Development (IBRD)

International Civil Aviation Organization (ICAO)

International Finance Corporation (IFC)

International Fund for Agricultural Development (IFAD)

Islamic Development Bank (IDB)

United Nations Industrial Development Organization (UNIDO)

World Intellectual Property Organization (WIPO)

World Tourism Organization (WTO)

2. Executing agencies that have signed a memorandum of understanding containing same provisions as those of the standard basic executing agency agreement (SBEAA)

Economic Commission for Africa (ECA)

Economic Commission for Latin America and the Caribbean (ECLAC)

Economic and Social Commission for Asia and the Pacific (ESCAP)

United Nations Centre for Human Settlements (UNCHS)

B. 1. Executing agents who signed agreements prior to establishment of UNDP with Special Fund

Food and Agriculture Organization of the United Nations (FAO)

International Atomic Energy Agency (IAEA)

International Labour Organisation (ILO)

International Telecommunication Union (ITU)

United Nations Educational, Scientific and Cultural Organization (UNESCO)

Universal Postal Union (UPU)

World Health Organization (WHO)

World Meteorological Organization (WMO)

2. Executing agencies who signed a memorandum containing the same provisions as those of agreements with the Special Fund

International Trade Centre (ITC)

United Nations

United Nations Commission for Trade and Development (UNCTAD)

3. Executing agencies with no agreement (when they undertake execution, they sign a memorandum stipulating the standard basic executing agency agreement provisions)

Arab Fund for Social and Economic Development (AFSED)

Economic and Social Commission for Western Asia (ESCWA)

International Maritime Organization (IMO)

United Nations Centre for Transnational Corporations (UNCTC)

Annex IV

COST MEASUREMENT OF OPERATIONAL ACTIVITIES

1. In accordance with the terms of reference, a list of eleven questions on accounting practices was addressed to eleven United Nations organizations which execute UNDP-financed projects. The executing agencies were: United Nations; FAO; ILO; ICAO; UNESCO; WMO; ITU; WIPO; WHO; UNIDO; and IAEA. The purpose of the questionnaire was to find out the practices of each agency in the following four areas:

(a) The amounts or percentages charged for programme support-costs to extrabudgetary funds other than UNDP (i.e., trust fund);

(b) What is done with support-cost income received;

(c) Whether support-costs currently are being shared; and

(d) The manner in which agencies measure support-costs and the way they account to UNDP for support-cost reimbursements.

The aim of this report is to summarize the replies and to put forward conclusions, taking into account views expressed in the course of interviews.

A. Charging for programme support-costs

2. The flat 13 per cent rate programme support charge is the standard practice in the agencies for contributions made for extrabudgetary activities. Following the endorsement by the United Nations General Assembly of Governing Council decision 80/44 of 27 June 1980, the flat 13 per cent charge in respect of all contributions other than from UNDP became mandatory in almost all agencies. Nevertheless, exceptions to the flat 13 per cent rate charge are being practiced such as:

(a) For very large projects such as the AIDS trust fund and the Onchocerciasis Control Programme in WHO, and the Genetic Engineering project in UNIDO, certain support expenditures, mainly administrative expenses, are included in the project budget. In some cases, a reduced flat percentage charge is made, calculated as the difference between 13 per cent and the estimated support-cost included in the project budget; in other cases no flat charge is made for these large projects and this very likely results in a de facto support-cost charge borne by the project of less than 13 per cent;

(b) For projects consisting exclusively, or for a large part, of the purchase of equipment and supplies, most agencies apply a lower rate varying as between agencies from three to eight per cent;

(c) A special instruction for deviating from the standard charge exists in WMO, which normally charges a flat 14 per cent rather than a 13 per cent rate. A rate lower than 14 per cent is acceptable if any of a number of elements exist, such as the amount of backstopping provided by the donor; the importance of the project to WMO; the directly identifiable additional cost to WMO; and the availability within WMO of resources to implement the project;

(d) The IAEA does not charge programme support-costs for activities financed from its voluntary fund nor from its trust funds. An 8 per cent charge payable in local currency is made to recipient Government, but the amount is left to augment the size of the project activity; furthermore the 8 per cent is not collected in all cases. In fact, only UNDP pays programme support-cost reimbursement to IAEA; the UNDP-financed programme is small in relation to total IAEA activities;

(e) PAHO, the WHO regional office for the Americas, on certain United States Government-financed projects receives reimbursement of total support-cost, provided PAHO can present credible cost data. On this basis, PAHO has received reimbursements in the order of 33 per cent of project costs.

3. On the whole, however, the volume of funds not subject to the 13 per cent rule appears small in relation to total voluntary contributions to all United Nations agencies. Total UNDP-financed project expenditure of all agencies during 1986-1987 amounted to $1.299.800.000, whereas the total trust fund expenditure was $1.301.500.000. Total support-cost reimbursement to the agencies by UNDP was $163.528.000 (12.6 per cent), and by trust funds $104.783.000 (8.1 per cent). Accordingly, total programme support-cost reimbursement for the biennium was $268 million; the different average percentages between the two sources are no doubt caused by exceptions such as those listed in paragraph 2 above.

4. The establishment by the UNDP Governing Council of a flat 13 per cent rate charge has led to the adoption by almost all agencies governing bodies of decisions to apply the UNDP practice to their trust funds. Any new programme support-cost reimbursement formula to be adopted by the UNDP Governing Council will, therefore, have to be reviewed by the agency governing bodies. Total funding of technical co-operation activities in the United Nations system of organizations comes from the following sources: the regular budgets of the organizations 20 per cent; UNDP 40 per cent; and trust funds 40 per cent. These percentages may vary somewhat from year to year; they vary greatly as between agencies. The main providers of trust funds are the same Governments that are the main contributors to UNDP. For example, during the biennium 1986-1987, the largest recipient of trust funds was WHO ($363 million), of which some 80-90 per cent was provided by Government donors. It seems reasonable to expect that in the coming years direct funding of agencies through individual departments of donor Governments concerned with such issues as health, agriculture and communications will continue; very often, close and long-term working relationships have been established between these Government departments and the specialized agency concerned. Accordingly, it is important that whatever formula for support-cost reimbursement by UNDP is adopted be also applied in general to the multitude of individual donations which in each agency are grouped as trust funds.

B. The treatment given by agencies to support-cost income

5. With the exception of WHO, UNESCO and IAEA, all agencies credited support-cost revenue from UNDP to a special account for programme support. In IAEA, WHO and UNESCO, UNDP support-cost reimbursements are credited to miscellaneous income, where they lose their identity; conversely, all UNDP programme support expenditures are charged to the regular budget. Whether there is a special account or not, the agencies can readily determine the income from each source, this being a standard accounting requirement. Expenditures incurred against these special accounts are, however, with the exception of FAO, allocated without identifying the source of funds. In FAO, expenditures are charged separately to sub-accounts in the special account for UNDP income and for trust fund income, each sub-account carrying forward its balances at year-end. In several of the smaller agencies (WMO, ICAO and ITU), the initial aim may have been to charge all programme support-costs in respect of extrabudgetary operations to the special account for programme support; as a result of sharply increasing costs in recent years, this led to shortfalls in the special accounts, and consequently funds have been appropriated by the governing bodies either from the regular budget or from special reserves to make up the shortfall. The trend is for the regular budgets of most agencies to assume an increasing share of total support-costs; this is so in part because there is no currency adjustment mechanism in respect of support-cost reimbursements from trust funds, and, in any event, the currency adjustment mechanism in respect of reimbursements by UNDP has had only limited applications and impact. Accordingly, in the smaller agencies, the special accounts progressively lose their validity as indicators of total support-cost incurred. In any case, the picture has never been pure, since some administrative overheads (documents, languages, premises) are excluded, except in the case of ICAO. The technical support staff charged to the special account is occasionally called upon, however, to support regular budget operational activities, or vice versa, regular budget staff provides technical advice and assistance to operational activities. In all other organizations, the resources of the special account are allocated to departments or divisions supporting extrabudgetary operations. Allocating these resources is facilitated where time recording exists, e.g., FAO; in other organizations, the allocations take the form of a supplement to the existing programme support staff, both in the technical and in the administrative divisions, though care is generally taken that the post serves activities financed from extrabudgetary sources.

6. Integration of tasks is common in most agencies. Individual staff members in the technical divisions are sometimes called upon to work on programme support activities financed from the regular budget, UNDP or trust funds. They may also work on activities of the organization which are not in the field of technical co-operation, such as standard setting and data-gathering and publication. ICAO is a special case in this respect. This integration of technical activities is healthy in that the experiences in these different fields tend to be mutually reinforcing and thereby benefit the organization and its programmes. Similar considerations of rational and economical use of staff and other resources apply to the integration of tasks in the administrative departments of each organization. A separate paper on the subject of the agencies integrated programmes is enclosed (Appendix A). On balance, the existence of special accounts for programme support does little to help identify total programme support-costs, or its elements such as

programming, project identification, implementation and evaluation. The best that can be said for them is that they provide management with a certain amount of flexibility in allocating additional resources for what are generally integrated programme support activities. It would be neither feasible nor desirable to attempt to undo these integrated structures and establish organizational units in each organization wholly dedicated to technical and administrative support of UNDP or trust fund operations. Nevertheless, the manner in which some of the smaller technical agencies have made use of their special accounts has probably enhanced the management of their technical co-operation activities.

C. Current reimbursement arrangements

7. The aim of the current arrangement; which is based on the partnership principle, has been to provide the agencies with a partial reimbursement for the cost of executing UNDP-financed projects. Most agencies have used the income from UNDP and trust fund donors to finance additional staff necessary to carry out technical and administrative support tasks. In order to recruit and keep the necessary staff, predictability in income is necessary, so that staff contracts can be issued on a basis other than short term; sudden drops in income can lead to hasty measures, including lay-offs of staff and probably less quality in providing the back-up to field projects. Whereas in the early 1980s, the European-based agencies, with support-cost reimbursement in dollars and support expenditures for the most part in the currencies of their headquarters cities, had fairly predictable support income and expenditures, the sharp devaluation of the United States dollar from 1985 on has put a severe strain on their resources. In addition to currency fluctuations, it should be remembered that changes in the volume of delivery affects support-cost income. An unfortunate coincidence for several of the larger agencies has been the fact that the United States, their largest contributor, delayed payment of its contributions, thus aggravating the crisis in financial resources for these organizations. The European based agencies have dealt with this financial squeeze by adopting a variety of measures, such as cutting staff; increasing appropriations from the regular budgets or special reserves; and implementing some programme cuts. This process of adjustment is approaching completion in most agencies. Agencies can to some extent diminish the unpredictable element in support-cost reimbursements, resulting either from lower project delivery or adverse currency fluctuations, by reserving part of these reimbursements against such future eventualities. Also, if the successor arrangement is to involve the use of a flat rate reimbursement based on programme delivery, the flat rate percentage could be applied to each agency's two-year moving average delivery, thus avoiding sharp variations in the dollar amount reimbursed from one year to the next. Furthermore, these dollar amounts could be paid in the currencies of the agency headquarters cities, by using the two-year average end-year rate of exchange. This would avoid some of the sudden decreases in income, or windfall profits, resulting from significant movements in exchange rates.

8. There is no uniformity of views in the agencies as to which components of support should be covered by the reimbursement arrangement; in general, a pragmatic approach suited to each agency's structure has been adopted in using the

support-cost reimbursements. It is probably fair to state that the flat 13 per cent rate of reimbursement, with its flexibility arrangement for small agencies, has provided an acceptable level of income, were it not for the fact of the United States dollar devaluation. A group of four experts studying the budget and financial practices of UNIDO, has recommended (April 1989) that in the formula for the reimbursement of support-costs, UNDP should take into account fluctuations in the Austrian schilling against the United States dollar; the group suggests the use of the post adjustment index for professional staff in augmenting or decreasing the flat rate reimbursement percentage, which would adjust for the effects of currency fluctuations, but not for the effects of sharp changes in volume of delivery. Their formula, when applied with minor variations to the Geneva level of costs, as compared to cost levels in New York, shows that the cost of a staffing unit (1 P-4 plus 1 G-4) in Geneva in January 1988 was 22.32 per cent higher than in New York; the figure was 18.11 per cent in January 1989. A gradual rise in the value of the United States dollar can significantly affect these percentages, as can large cost of living movements. Most agencies feel the present 13 per cent is insufficient and are in favor of an adjustment for currency fluctuations to be incorporated in any new formula. The conclusion may however be drawn that agencies have dealt with their financial difficulties through a variety of measures and have accordingly adjusted to what in real terms amounts to a lower reimbursement level, both in respect of UNDP projects and trust fund projects.

D. Accounting for support-cost reimbursements

9. The question of identifying support-costs and, in consequence, the ability of the agencies to render an accounting for reimbursements received was the subject of much activity in the early 1970s, helped by JIU efforts to steer the United Nations organizations into developing cost accounting systems for management purposes. The main achievement of this activity was the 1974 cost measurement system, developed in order to identify the cost of providing technical and non-technical support for UNDP-financed projects; the organizations initially participating in the system were FAO, ILO, UNIDO, WHO and the United Nations, later joined by several other agencies. The results of the study showed for each agency the support-cost by function, i.e., programme planning, project formulation, project implementation (technical and non-technical backstopping) and post project evaluation and follow-up; it also showed the breakdown of costs by technical units, field offices, library and other cost groups. The study gave valid orders of magnitude for the cost of agency support to UNDP projects; however, it did not measure the support-costs of trust funds, nor of agencies' regular budget technical co-operation programmes. It was assumed that the cost of project support would be uniform regardless of the source of funds. A separate paper on the cost measurement system, 1972-1974, is enclosed (Appendix B). The data generated by the 1972-1974 cost measurement system were not immediately used and, in a worsening financial environment, all agencies, except FAO, gradually abandoned the system. The system currently in use in FAO measures the cost of support for UNDP and trust fund projects, and in order to do this makes use of time-recording by those technical staff whose distribution of tasks is not recurrent from one year to another. Where this distribution of work is considered to be predictable, estimates of time distribution are used, dividing tasks into UNDP-related, trust

fund related, and regular budget, including technical co-operation financed by the regular budget. FAO is, as a result of its current cost measurement system, able to produce support-cost data separately for UNDP. FAO data appear to be fairly constant: 1973: 19.3 per cent, 1988: 18.5 per cent for UNDP project delivery.

10. After the agencies (except FAO) abandoned the common cost measurement system, several attempts were made to arrive at common data that would indicate the magnitude of the agency technical co-operation operations and the total cost to support these operations. The efforts resulted in:

(a) The ACABQ reports submitted annually since 1976 to the General Assembly. These show for each organization technical co-operation expenditures financed from the regular budget, as well as unreimbursed amounts being by the regular budget for programme support given to all extrabudgetary operations financed by UNDP and trust funds;

(b) The biennial ex-post facto reports submitted by the Administrator to the UNDP Governing Council, showing for each agency total technical co-operation expenditures broken down into regular budget, UNDP and trust funds, and total support-costs for all sources combined. These two reports, presented to the two legislative bodies, are based entirely on data supplied by the agencies. A separate paper on these two additional efforts at harmonization is enclosed (Appendix C).

11. The annual programme support-cost reimbursements from UNDP amount to some $80 million. Agency technical co-operation activities financed from trust funds are of about the same magnitude as those financed by UNDP. Total reimbursement of support-cost to executing agencies for the two-year period 1986-1987 was about $270 million. A number of donor Governments are asking how the agencies spend this money. The reimbursement amounts paid by UNDP and donors of trust funds are not professional honoraria or flat rate contractual fees paid for specific and identified services; rather, they have been designed to compensate, on a shared basis, for certain programme support-costs which agencies at one stage - in 1973 - were able to identify.

12. Assuming that a shared responsibility will continue, it seems reasonable for UNDP and trust fund donors to ask the agencies that an acceptable accounting be rendered periodically of the cost of their support activities for which they expect partial reimbursement. This demand for cost data was reflected in UNDP Governing Council resolution 80/44 requesting the agencies to submit to the Administrator ex post facto data on support-costs incurred. The current "ex-post facto" report does not meet requirements, because the data submitted by the agencies are not comparable, either in so far as definitions of support-cost are concerned, or as to what constitutes technical co-operation.

13. The current ex-post facto report should probably be replaced by a report of the Administrator on the technical co-operation programmes of executing agencies and their support-costs. Such a biennial report would, in the first place, contain data submitted by the agencies on their technical co-operation expenditures financed by UNDP, trust funds and the regular budget. While there is no difficulty

in defining technical co-operation activities financed by UNDP, the agencies should agree on what constitutes technical co-operation for development in respect of both trust funds and regular budget funds; agencies should not assume that all extrabudgetary funds are for technical co-operation for development, or that entire chapters or sections of their regular budget can be classified as such, without examining these activities on the basis of an agreed set of criteria and definitions. In the second place, this new report would contain data on support-costs incurred by the agencies in respect of its regular budget technical co-operation programme, UNDP and trust funds. For these cost data, it would be necessary for the agencies to establish a commonly agreed cost measurement system which would identify agency programme support-costs as they relate to:

(a) The activities of the agency in the field of technical co-operation for development;

(b) All other technical activities of the agency, such as standard setting and data gathering.

The administrative and other overhead costs would need to be distributed over (a) and (b) according to distribution keys, for the establishment of which there should be inter-agency agreement on the definitions and procedures to be followed. In the event support-cost data are needed for each donor group, i.e., UNDP, trust funds and regular budget, some form of time-keeping by technical staff would be necessary; if, on the other hand support-cost data combined for all sources are sufficient, time keeping by technical staff would probably not be necessary, but distribution of technical functions can be assessed on the basis of interviews, to be updated periodically, perhaps as part of the biennial programme budget preparation process. In the third place, this new report could contain data on the unreimbursed support-costs borne by the regular budget of each agency; these figures would be arrived at by taking the difference between total support-costs as identified by the cost measurement system of each agency, and the amounts reimbursed by UNDP and trust funds. There will remain for decision the degree of detail into which agencies should break down their support-cost data, e.g., by phases of the project cycle, by their technical programmes and objects of expenditure, such as salaries or by function, such as fellowships and recruitment. These details will also depend on the broader orientation for management purposes to be given by agencies to a cost-measurement system. Nevertheless, a minimum set of common outputs should be agreed upon.

E. Conclusions and recommendations

14. The following recommendations are made:

(a) Given the size and origin of agency extrabudgetary sources other than from UNDP, it would be desirable for any successor arrangement to maintain a reasonable degree of applicability between trust funds and UNDP in the reimbursement of programme support-costs;

(b) The existence of special accounts for programme support to which reimbursements are credited and from which support-costs are paid does little to identify total programme support-costs incurred for UNDP and trust fund-financed programmes. This is in large measure because of the integrated nature of various agency technical activities, which in itself constitutes a major element of agency strength;

(c) The current reimbursement formula effectively results in the sharing of support-costs between funding sources and the regular budgets of agencies; in order to assist in programme support management, steps should be taken to cushion against sudden changes in support-cost reimbursements;

(d) As a basis for a better assessment of the support provided by the United Nations system in planning, implementing and evaluating technical co-operation activities, agencies should introduce a simple cost-measurement system. Such a system should provide data, comparable between agencies, on the cost of commonly agreed support functions. It should also relate these cost data to comparable data on the delivery of technical co-operation activities for development. The system could serve as a management tool for the agencies themselves, as well as providing their governing bodies with accurate data for the assessment of agency technical co-operation activities and the cost of their support. Some considerations relevant in introducing such a cost-measurement system are reflected in paragraph 10 of Appendix B to this report. Consequently, the current ex-post facto report should probably be replaced by a broader-based report of the Administrator on the technical co-operation programmes of the executing agencies and their support-costs.

Appendix A

INTEGRATED PROGRAMMES AND DETAILED ACCOUNTING FOR UNITED NATIONS DEVELOPMENT PROGRAMME SUPPORT COSTS

1. The reimbursement by UNDP of programme support costs to executing agencies involves considerable sums of money ($160 million for the biennium 1986-1987; $140 million for the biennium 1984-1985). Some donor Governments have asked whether executing agencies can give detailed accounting of the expenditures incurred against support-cost reimbursements received from UNDP. The inability of most of the larger agencies to give detailed accounting tends to give rise to further queries by donor Governments as to the propriety of certain categories of expenditures that may be charged by the agencies against support-cost reimbursements received.

2. The inability of agencies to render detailed accounts has been explained by the rather general statement that their technical and non-technical programmes are, on the whole, fully integrated and therefore no detailed accounting by donor can be given of actual programme support costs incurred. Only the totality of the programme support cost in respect of all technical co-operation activities of the agency concerned can be calculated. These data are reflected in the ex-post facto report on agency support costs which the Administrator submits once every two years to the UNDP Governing Council.

3. In order to understand the inability of some of the larger agencies to render detailed expenditure accounts, an attempt is made in this paper to illustrate the working of the integrated programme by taking as an example the WHO Tuberculosis Unit. WHO is one of the executing agencies at present unable to allocate programme support expenditures to individual donors, notably UNDP. The overall activities of the WHO Tuberculosis Programme consist of a number of normative tasks such as the development of improved drug regimens, the evaluation of national vaccination programmes, and research into diagnostic techniques. Several of these global activities take place with the assistance of consultants and with the benefit of special studies carried out at national levels. In addition to these normative activities, the staff of the Programme lends technical support to activities at the country level, such as the strengthening of national tuberculosis control programmes, epidemiological surveys, operations research, manpower training and provision of drugs and supplies when appropriate.

4. The staff at WHO headquarters carrying out the above-mentioned activities consists of two Professionals and one General Service staff member. In addition, there are three staff members stationed at regional offices. Operational activities taking place at the national level such as research projects, training courses, or vaccination assessment may be financed from a variety of sources of funds, including the regular programme budget, UNDP, the Sasakawa Trust Fund, and several other donors of voluntary funds. These project activities at the national level receive technical support from the two professionals at WHO, and as far as the particular region is concerned, from any regional tuberculosis programme staff. The technical support provided consists of the formulation of plans of

operation and research protocols, advice on data analysis, the organization of training courses, services of reference facilities, the purchasing of equipment and supplies, and the evaluation of programme activities. The professional staff of the Tuberculosis Unit considers their activities as a single programme and in the course of a week's work may devote time to the recruitment of an expert for a project financed from a trust fund, a visit to a UNDP-financed national training course, and the preparation of data for a global expert committee. In an integrated activity such as WHO Tuberculosis Programme, it is not possible to readily separate the cost of technical support given to projects financed by UNDP - or any other source of funds - without some form of time-recording of the Professional staff concerned, which would measure the amount of time spent on UNDP projects as a percentage of the total time of the staff members. Once such percentages have been established, it is possible to cost the staff effort taking into account not only total staff costs, but also a share of the general administrative costs of the organization. What applies to the Tuberculosis Unit, by analogy applies to the totality of WHO programmes.

5. The larger agencies will maintain that a rational and economical use of staff, both in the technical and non-technical fields, demands a high degree of integration. In this way, the expertise of the staff concerned, say in tuberculosis, is applied to all of the Organization's activities in that field concurrently and regardless of the sources of funds. This concept applies equally to administrative support. WHO would probably find it difficult, if not impossible, to engage technical back-up staff exclusively devoted to supporting UNDP-financed tuberculosis projects. Given present organizational structures, it would not be practical nor desirable from many points of view, including the financial one. In the absence of a system of time recording, it is not possible to allocate accurately the cost of technical and non-technical support activities to a single source of funds. If, therefore, the donor Governments concerned are to be satisfied as regards the expenditures incurred by executing agencies in support of UNDP-financed activities, some form of time-keeping would be necessary in the context of integrated agency technical programmes. For the organizations concerned, a number of interesting data could be obtained from such studies not only in respect of support activities by sources of funds, but also time spent by programme; for example, on field activities versus normative tasks.

Appendix B

THE COST MEASUREMENT SYSTEM 1972-1974

I. BACKGROUND

1. Towards the end of the 1960s, there was a general feeling in the organizations of the common system that an improvement in management data was desirable. Views towards this aim were expressed in the Governing Bodies of a number of organizations, in ACC and its subsidiary bodies, and by the JIU. Improved cost data on a number of non-technical functions in each organization would enable management to choose the more cost-effective solutions in a multiple choice situation: cost data could ultimately lead to cost-accounting systems integrated into the regular accounts of the organizations. As part of such improved management data, it was hoped that more precise information could be obtained on the costs incurred by executing agencies in providing support services for UNDP-financed projects.

2. In response to these suggestions, a special survey was made in 1971 by WHO and UNESCO on the problem of calculating the reimbursement by UNDP to executing agencies of overhead costs for extrabudgetary programmes. In the discussions of this survey, there was broad endorsement for the proposal that the larger United Nations organizations should undertake development work on cost accounting, and accordingly CCAQ decided in early 1972 to establish an inter-agency task force, consisting of representatives from FAO, ILO, WHO, the United Nations (New York) and UNIDO. The aim of the task force was to develop a single methodology of approach to be used by executing agencies in measuring the total cost of technical and administrative support services in each agency and of expressing these total support costs as a percentage of the volume of operational programmes, including projects costs. In the process of developing a common methodology, the task force had to develop common definitions of terminology to be used; it had to define the outputs desired; a procedure had to be agreed on for establishing a number of cost averages; distribution keys to spread certain expenditure categories had to be established; forms had to be designed; instructions issued to staff-recording time; field offices had to be visited; and computer programmes designed and tested. This preparatory phase required the efforts of the task force for approximately one year.

II. RESULTS

3. The results of the study became available in 1973, initially for the first quarter of 1973. CCAQ decided to ask its task force to continue its collection of data and to present early in 1974 a summary of its findings for the entire year 1973. The attached table shows agency support costs and UNDP-financed project costs for the full year 1973, together with related percentages. There were wide variations in the cost of support between the different agencies; the overall average for all five organizations of 23.3 per cent with FAO at 19.3 per cent and UNIDO at 31.2 per cent at the extremes. The task force spent a great deal of time

trying to analyse these differences, which it concluded were due to a number of factors including the following:

(a) The data for United Nations were confined to New York; they excluded Geneva and the regional economic commissions, as well as a certain amount of direct support provided by UNDP resident representatives to United Nations offices at the country level;

(b) The difference in costs, primarily the cost of staff, at the different headquarters and regional office locations of the participating agencies, with different post adjustment levels and general service salary scales;

(c) The nature of the projects and programmes, including field of activity;

(d) Certain economies of scale are achieved by agencies supporting large programmes; support costs do not normally grow in proportion with the value of funds administered.

The task force felt that more data was needed and that existing data should be refined in order to clarify the differences.

4. The results of the Cost Measurement System were favorably received by such bodies as the JIU, ACABQ and the UNDP Governing Council. It was felt by these bodies that the system should be continued, refined and improved, and possibly used as an important management tool. In particular, they felt that the measurement of support costs should be carried down to individual projects, not just to the five functions defined in the study as making up the agency support effort. The task force considered this possibility and concluded that it would require more detailed time-keeping by technical staff and a far greater refinement in allocating non-technical costs to the relatively small values of individual projects. Accordingly, the task force concluded that the staff effort involved would be much greater and the results would probably be less reliable. FAO did a feasibility study on costing down to project level with the conclusion that the cost would be several times the current costs and there probably would be a loss in accuracy. In the light of these conclusions, the agencies did not pursue this aspect.

5. In several organizations, management made little use of the data resulting from the Cost Measurement System. Furthermore, there were some broad aspects working against the continuation of the system such as:

(a) The objections to time-keeping of their daily activities by a large proportion of professional technical staff;

(b) The direct and indirect cost of the system;

(c) The progressively worsening financial situation.

Accordingly, some organizations gradually abandoned the system, whereas others agreed to continue it.

III. ASSESSMENT

6. A great deal of careful preparation went into the work of organizing the cost data, and the results were fairly accurate orders of magnitude. The broad validity of the results was recognized by JIU, ACABQ, the UNDP Governing Council, and by the Executive Heads of the agencies. Accordingly, from the point of view of accuracy, the assessment is on the whole positive. Nevertheless, it has to be recognized that in the study in question a number of assumptions had to be made, that time-keeping requires the continued interest of the staff involved and once the interest diminishes, the data may lose a great deal of accuracy. The fact that the data showed relatively wide disparities was partially a result of imperfections in the system; on the other hand, the structures of the organizations vary considerably (e.g., centralized versus regional office control), which inevitably lead to differences in the cost of programme execution.

7. The cost measurement study results for the year 1973 were a milestone in developing cost accounting data in the United Nations system. The overall averages have for years formed the basis for much of the discussion of support costs not only in United Nations forums, but also with donors outside the United Nations system, individual Governments and others. It has clarified an aspect of partnership in development which in terms of support costs had to be expressed quantitatively. From the point of view of usefulness, the assessment is certainly positive, in spite of the fact that it took six years before the UNDP Governing Council adopted its definitive decision 80/44 of 27 June 1980. Over the period 1974 to 1980, however, the discussions on support costs in inter-agency bodies, the inter-governmental working group on support costs and other forums were based on data generated by the cost measurement study. The usefulness of the data was somewhat enhanced by their uniqueness; no valid alternative set of data costing support efforts to a single extrabudgetary source (UNDP) had heretofore been developed for the United Nations system. As stated in paragraph 5 above, for general management purposes the cost measurement study data were not used in several organizations.

8. While the data were accurate and useful for specific purposes in the mid-1970s, there have been a number of new factors which tend seriously to diminish their accuracy and useability at this time, and, therefore, as a tool for decision-making regarding any future flat rate support cost reimbursement percentage. Amongst these new factors are the following:

(a) The change in the value of the United States dollar versus a number of currencies where the headquarters of United Nations agencies are established, notably the Swiss franc and Austrian schilling, and also the French franc and the Italian lira. Accordingly, the support cost incurred by many agencies at their headquarters locations (and some of their regional offices) have gone up without a corresponding increase in the level of project delivery;

(b) During the late 1970s, inflation in the United States reached double digit proportions with a concurrent rise in programme support costs in, for example, United Nations, New York, again unrelated to the volume of project delivery;

(c) There have been a number of organizational changes in the agencies, some involving changes in structure, others involving methods of work; for example, those resulting from the introduction of computers, video screens, rapid communication systems and other new technologies;

(d) New dimensions in technical co-operation activities have affected the support efforts required by executing agencies.

These new factors would tend to reduce support costs in some cases, whereas in others they would increase them. Accordingly, the 1973 data do not appear to be a valid tool for future rate setting.

9. The question may be asked whether executing agencies could re-establish a cost measurement system, on the lines of the 1973 system. Undoubtedly, the technical feasibilities are better now than they were in 1973, owing mainly to the new technologies now available in each agency. The effort would involve considerable planning and detailed preparation starting almost from zero again, since over the last 15 years the changes in budgeting, accounting, technology and organizational structure have been considerable in many of the organizations.

10. However, to determine more systematically the cost of programme implementation and to specify the functions to which they can be attributed would appear to be essential not only to meet the needs of the funding agencies but also for internal management purposes within the executing agencies. Establishing activities where costs incurred may be yielding only limited results (e.g., unnecessary and premature refinements in projects documents) or pointing out others (e.g., evaluation and feedback), which presently may receive insufficient allocations could be among the central functions of such a system.

11. If a cost measurement system were to be reintroduced, several questions as to how it should be done arise: At what intervals should costs be measured? Should use be made of sampling methods? What type of information would be useful to the agencies themselves for internal management purposes? What would UNDP like to know from such a system? One could, for example, focus on the following management issues:

(a) What time is spent and costs incurred on various stages of the project cycle (e.g., programme development, project preparation, evaluation)? Is this cost effective?

(b) What is the time spent and costs incurred on various administrative support functions (e.g., recruitment, procurement, equipment hand-over, fellowship placement)? Could such costs be reduced (e.g., through decentralization or system-wide procurement of common user items)?

(c) What time and costs incurred in connection with technical support functions (e.g., technical reviews and progress reports; sectoral analysis functions)? Which of these are identifiable by project type and could be charged to projects? Which ones would constitute a legitimate charge to regular budgets?

(d) What are the differences in time spent and costs incurred for different implementation modalities (e.g., short-term versus long-term projects; large-scale versus small-scale projects)?

(e) What are the changes in traditional cost problems which have occurred as a result of the new dimensions policies? For example, what additional (i.e., programmed and non-reimbursed) time was spent on nationally executed projects? What cost differences arise in connection with the servicing of national professional project personnel and short-term consultants compared with long-term international experts?

(f) What cost differences can be identified with respect to project planning, implementation and follow-up in difficult country situations, e.g., countries which have unusual deficiencies in infrastructure?

12. Broadly speaking a re-introduced cost measurement system in the organizations should take into account a number of considerations, such as the relative ease in the administration of the system; keeping the cost of the system low; time-recording on a limited scale only; and sustained interest by and usefulness to the management of each organization.

Appendix C

REVIEW OF EFFORTS AT HARMONIZATION OF COST MEASUREMENT WITHIN THE SYSTEM

1. The most thorough effort at the harmonization of programme support cost measurement on a system-wide basis on the United Nations organizations was carried out under the auspices of CCAQ over the years 1972-1974. It resulted in a set of data arrived at by uniformly applied principles, procedures and definitions; as a result, the data obtained for each organization participating in the exercise are comparable, and the overall average data are fairly representative for the system as a whole.

2. Two other efforts at the harmonization of support-cost measurement have been carried out over the last 15 years; they have generally been less reliable than the 1972-1974 efforts. The data produced as a result of these efforts are harmonized in presentation but not in terms of definitions or procedures followed. While they may, therefore, indicate rough orders of magnitude for individual organizations, the resulting percentages are not on the whole comparable between organizations, and a system-wide average figure would be open to question.

3. During the 1970s, ACABQ was concerned that the regular budgets of the organizations were not being used only for funding technical co-operation activities, but were also bearing part of the programme support-cost in respect of extrabudgetary funds, as had been revealed by the 1972-1974 cost measurement study. In order to determine the amount of these subsidies, as well as the amounts included in the regular budgets of the organizations for technical co-operation activities, ACABQ asked all organizations to present moving three-yearly data, from 1976 on, showing each organization's regular programme technical co-operation expenditures, or budgeted provisions, as well as the unreimbursed amounts in respect of support to extrabudgetary operations being borne by the regular budget. ACABQ makes annual reports to the United Nations General Assembly on this subject. The data supplied by the agencies in respect of unreimbursed support costs are of poor quality, and not comparable between agencies. The agencies do not receive any feedback from ACABQ as to the General Assembly's comments on these reports.

4. The second effort at the harmonization of measuring support cost data came as a result of UNDP Governing Council decision 80/44, in which the Administrator was requested to develop a suitable format for an ex-post facto report to the Governing Council showing the elements of support costs incurred by agencies in the preceding year in executing operational activities for development. These reports were to include details on objects of expenditure and the grades of staff or staff years involved in the different support activities (e.g., recruitment, procurement, placement of fellows, other backstopping). It appeared that the Governing Council wished to be continuously informed of the type of data developed by the 1972-1974 interagency cost measurement system. By 1980, however, most of the agencies had already abandoned detailed cost measurement; furthermore, they had gone over to a biennial programme budget. As a result, the first ex-post facto report covered the biennium 1982-1983 and presented data for each organization showing technical

co-operation expenditure by source of funds, i.e. regular budget, UNDP and other extrabudgetary expenditures; support-cost income is shown by the same source of funds. Details of total support expenditures, however, are shown from all sources combined, by object of expenditure - e.g., salaries, travel, contractual services. The current presentation is the result of discussions of a CCAQ working party over the period December 1980 to December 1981. Reports have since been presented to the Governing Council on a biennial basis, the most recent one being dated 6 May 1988, covering the biennium 1986-1987.

5. The Administrator's ex-post facto report includes data, both for operations and for programme support, from all sources, whereas the ACABQ report is confined to the same data but from the agency regular budget only. The data for the Administrator's report are produced by the agencies from the same accounting records as the ACABQ report, in so far as expenditures are concerned. Since the ACABQ is the annual report, it covers a moving three-year period and includes budgetary estimates for the current biennium. Therefore, each organization's historical data reported are the same in both reports. The difficulty arises, however, when making comparisons between organizations. These difficulties arise from the fact that the agencies do not apply common definitions for either technical co-operation or programme support in reporting their expenditures. For example, in WHO the data for programme support include only the cost of administrative and financial support, not its publication or informatics support, let alone its technical support, whereas in other organizations proportions of non-technical cost, as well as of technical support, is allocated to programme support. This lack of common standards can lead to widely diverging programme support cost percentages between organizations. For example, WHO in the ex-post facto report for 1986-1987 shows a support cost figure of 14.3 per cent, whereas UNIDO, as a result of its far more accurate cost identification system, shows a figure of 36.4 per cent.

6. Some of the smaller agencies, such as ITU, WMO, WIPO, ICAO, which maintain separate accounts for all income and expenditures in respect of extrabudgetary programme support produce fairly accurate ratios of programme support to technical co-operation, and in respect of these agencies the ex-post facto report is useful. However, comparisons with other agencies data as well as overall averages can be misleading. The usefulness of the ex-post facto report to the Governing Council of UNDP is not clear; refinement of the data in order to improve comparability has not taken place. As stated in paragraph 2 above, although the presentation in both the ACABQ and the Administrator's ex-post facto report are uniform, these two efforts at harmonization have serious shortcomings, since the definitions and procedures used are not the same.

Annex V

SUPPORT COST COMPONENTS IDENTIFIED IN JIU REPORT DP/WGOC/1
OF 21 NOVEMBER 1977

10. In the light of the above analysis, the term "overhead costs" should be replaced by "support costs". Support costs may be defined as the sum total of expenses of a United Nations Agency incurred as a result of its participation in technical co-operation programmes. Support costs should be divided into two categories:

10.1 Programme support costs may be defined as that part of support costs devoted to functions of technical cooperation which are not directly related to specific projects but arise from the inherent competence and capacity of an organization in its particular field. See paragraph 11.1 for the components of programme support costs. a/

10.2 Project support costs may be defined as that part of support costs directly related to specific projects. See paragraph 11.2 for the components of project support costs.

B. Components of support costs

11. The broad component of support costs as identified by JIU are listed below. Those marked by an asterisk (*) would be fully absorbed by an Agency; others could be subject to partial reimbursement in accordance with the system outlined in Part C.

11.1 Programme support cost

* a) Over-all direction, management and legal services;

* b) Participation in programme planning; country programming, sectoral studies, etc.;

* c) Research in development questions;

* d) Technical documentation services;

* e) Participation in intergovernmental and interagency meetings on technical cooperation activities;

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a/ JIU notes that in many United Nations documents the term "programme support cost" has been used to mean all of the costs associated with support to UNDP.

* f) Writing, translating and printing of documents not related to specific projects;

* g) Over-all budgeting and accounting work for UNDP;

* h) Public information on technical cooperation activities;

* i) Office space, furniture, equipment, supplies, utilities.

11.2 Project support cost

a) Technical project support

i) Participating in project planning;

ii) Technical support and supervision of experts and consultants;

iii) Advice on training programmes;

iv) Advice on equipment specifications;

v) Technical reporting, including preparation of reports;

vi) Technical reporting, including preparation of reports;

vii) Participating in project evaluation, revision and planning of follow-up.

b) Administrative project support

i) Recruitment of experts and consultants;

ii) Personnel administration of experts and consultants;

iii) Equipment purchase and inventories;

iv) Training and fellowship administration;

v) Administration of subcontracting;

vi) Project budgeting and accounting;

vii) Administration of miscellaneous components.

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* To be absorbed fully by Agencies.

Annex VI

A PROPOSAL FOR A POSSIBLE FORMAT FOR AUDIT REPORTS

I. FINANCIAL STATEMENT ON THE STATUS OF FUNDS AS OF 31 DECEMBER 19

A. Operating Fund (follow present standard format)

Balance as per 1 January	$ .....
Cash drawings	$ .....
Expenditures	$ .....
Balance as per 31 December	$ .....

B. Income from support cost

Unused support cost as per 1 January ..	$ .....
Support cost received from UNDP	$ .....
Support cost received from others	$ .....
Support-cost income as per 31-12 ..	$ .....

C. Support cost expenditures:

Expenditures directly related to programme implementation	$ .....
Expenditures related to identifiable administrative costs	$ .....
Overhead cost	$ .....
Balance per 31 December ...	$ .....
	==========

II. Report of the external auditor

A. General
B. Services provided in promoting government execution
C. Services provided in assessing technical assistance needs
D. Activities related to country programmes and sectoral programming
E. Direct programme implementation
F. Evaluation and monitoring
G. Research activities
H. Field representation
I. Findings and recommendations

Annex VII

THE GTZ METHOD OF ESTIMATING OVERHEAD COSTS

1. In summary, the GTZ method, which in turn is based on cost accounting practices used in the private sector, is as follows:

(a) The relationship between the federal Government and GTZ is laid down in a general agreement. The agreement provides inter alia that the GTZ will make available in advance a fully costed proposal concerning each project which it is requested by the Government to implement. A distinction is made between budgeted costs and actual costs incurred which are calculated for the final settlement of accounts following project completion;

(b) The accounting system distinguishes between points to which costs have to be attributed, e.g., individual projects known as Kostentraeger (KTR) and points in the system where costs arise, called Kostenstellen (KST);

(c) Costs which are directly attributable to individual projects (e.g., costs of providing experts, consultants, fellowships, materials, local administrative costs) are immediately attributed to the concerned project KTRs;

(d) Regarding general headquarters overhead costs, a distinction is again made between

(i) costs which have a direct relationship to individual projects, and

(ii) general administration and technical overhead costs which cannot be separately identified, but must be attributed to projects on a pro-rata basis.

Costs under (i) are established mostly through time recording of the concerned technical and administrative personnel but they comprise also such costs as printing of reports, etc.

Costs under (ii) are determined on the basis of experience values and distributed pro-rata as an "add on" to the personnel and materials costs of individual projects;

(e) Certain project types deviate considerably with respect to their administrative costs. In such cases, special rates are agreed with the Government. These rates are periodically reviewed;

(f) Both directly attributable and non-project specific overhead costs together have averaged around 11 per cent (3 per cent for the directly attributable and 8 per cent for the other components);

(g) In addition to actual total costs, GTZ receives a "profit margin" of 1 per cent so that the total cost of project implementation is at present around 12 per cent.

2. The extent to which such a system could be applied within the United Nations system framework obviously depends upon a number of considerations. One of them has to do with the feasibility of attributing the entire package of support cost to individual projects. The fact that United Nations system funded projects are planned and implemented within the context of the IPF and in a tripartite framework may limit this possibility. This would not preclude the desirability and feasibility of identifying more of the project specific support elements and to include them in project budgets. This may apply to such elements as project identification which can vary greatly between project types, but also to elements such as supervision, evaluation and follow-up. Such elements should be identified at the earliest possible stage and costed for inclusion in the project budget. While this may elicit the comment that the number of projects which could be financed within a certain country IPF would be reduced, it could be an essential factor in ensuring quality; it also would reduce that portion of support which can not be attributed to projects.

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Special Session
21-23 February 1990, New York
Item 5 (a) of the provisional agenda

AGENCY SUPPORT COSTS

Report of the Expert Group

Corrigendum

Page 117, Table VI.1

Replace with the attached table.

90-04239

Table VI.1 Technical co-operation and support cost expenditure from all sources by the United Nations system, 1986-1987

(Thousands of US dollars)

Agency	(1) Total support expenditure				(2) Total technical co-op. project expenditure				(3) Total expenditure (1) + (2)	Ratio of support cost (1) / (2)
	Total	Regular	UNDP share	EB share	Total	Regular	UNDP share	EB share		
FAO	123 000	58 785	35 922	28 293	637 794	72 439	262 148	303 207	760 794	19.3
UN	70 842	36 420	27 736	6 686	329 498	14 511	219 646	95 341	400 340	21.5
UNIDO	71 900	47 203	18 404	6 293	197 400	5 800	141 700	49 900	269 300	36.4
ILO	64 701	40 313	12 763	11 625	218 585	24 031	95 035	99 519	283 286	29.6
UNESCO	32 512	16 177	8 305	8 030	148 900	9 600	62 537	76 763	181 412	21.8
UNDP/OPS	18 991	-	9 948	9 043 a/	280 712	-	120 912	159 800	299 703	6.8
ICAO	15 434	4 143 b/	8 277	3 014	88 773	-	65 489	23 284	104 207	17.4
World Bank a/	9 893	765 c/	9 128	-	96 167	-	96 167	-	106 060	10.3
ITU	12 181	5 245 d/	5 872	1 064	61 458	6 791	45 044	9 623	73 639	19.8
WHO	117 051	94 760	3 961	18 331	820 804	419 884	37 379	363 541	937 855	14.3
UNCTAD	5 294	2 236	2 178	880	23 533	930	16 116	6 487	28 827	22.5
ITC	10 216	4 227	2 652	3 337	45 406	-	20 794	24 612	55 622	22.5
UNCHS	4 057	313 c/	3 355	389	29 581	1 067	25 834	2 680	33 638	13.7
AsDB	21 549	19 671	1 619	259	53 948	37 976	12 453	3 519	75 497	39.9
ECA	4 443	1 905	1 494	1 044	22 898	3 153	11 125	8 620	27 341	19.4
ESCAP	6 735	2 818	1 707	2 210	32 308	2 818	12 799	16 691	39 043	20.8
ECLAC	3 346	1 061	407	1 878	16 347	1 474	3 020	11 853	19 693	20.5
ECE	587	372	60	155	1 654	-	463	1 191	2 241	35.5
ESCWA	1 031	656	146	229	4 ,584	1 694	1 122	1 768	5 615	22.5
WMO	6 879	2 212	3 901	766	30 044	501	22 683	6 860	36 923	22.9
IMO	5 181	1 892	2 200	1 089	18 616	-	10 563	8 053	23 797	27.8
IAEA	25 000	23 860	1 032	108	100 872	72 669	4 692	23 511	125 872	24.8
WIPO	4 626	3 510	999	117	13 247	5 086	4 555	3 606	17 873	34.9
UPU	2 520	1 775	745	-	6 407	1 946	3 386	1 075	8 927	39.3
WTO	1 665	905	760	-	4 147	-	4 147	-	5 812	40.2
Total 1986-1987:	639 634	371 224	163 571	104 840	3 283 683	682 370	1 299 809	1 301 504	3 923 317	19.5

Source: Ex post facto report on agency support costs, Report of the Administrator (DP/1988/54 and Corr.1)

a/ Relates only to UNDP-financed activities
b/ Represents extrabudgetary reserve fund for technical assistance activities
c/ Estimated
d/ Includes the amount of $3,440,000 financed by ITU's own resources